FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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Positive signals from Geneva arms talks, Page 2

World news | Business summary

London angered by Ulster protests

The British Government reacted angrily to Monday's day of action in Northern Ireland and the mounting evidence of passivity by Ulster police and Unionist politicians towards loyalist intimidation to stop people going to work.

Northern Ireland Secretary Tom King firmly ruled out any possibility of suspending the Anglo-Irish agreement, which gives Dublin a say in the affairs of the province.

Ministers are assessing the handling of the strike and pressure is building for a tougher crackdown on loyalist rebels, with a heavy army presence in future demonstrations. Page 24

Howe appeal

Sir Geoffrey Howe, the British Foreign Secretary, appealed for greater efforts on the part of European companies to co-operate with each other, in spite of their frequent preference for seeking partners outside Europe. Page 6

Caracas fire inquiry

Venezuela's President Jaime Lusinchi ordered an inquiry into the fire that gutted the Chilean embassy in Caracas, killing the ambassador and at least 14 other people.

Waldheim denial

Former UN Secretary General Kurt Waldheim denied a New York Times report that in an interview he had admitted having belonged to two Nazi groups.

Police criticised

Swedish police faced criticism for their alleged mishandling of the manhunt for the murderer of Prime Minister Olof Palme. Page 2

Manila seizure

The Philippine Government ordered the seizure of all domestic property and bank accounts of deposed President Ferdinand Marcos and began inquiries into his holdings in Britain, the US, the Bahamas and Switzerland. Page 3

Iraqi bombing raid

Iraq said its jets killed 12 civilians and wounded 72 when they bombed Iranian areas behind the southern Gulf war front.

Libyan threat

Libya said it would set up suicide squads to respond to any anti-Libyan "aggression" by the US or Israel.

Israel accused

Syria accused Israel of arresting 45 Syrian Arabs on the occupied Golan Heights as part of a plan to expel the inhabitants. It has reserved the right to request a meeting of the UN security council.

Minister attacked

Dutch Agriculture Minister Gerrit Braks was showered with grain thrown by protesting farmers when he arrived to speak at a rally in the northern Dutch town of Hoogeveen.

Unita pledge

Angola's Unita rebels said 150 foreign workers captured in a diamond mining town would be marched south to Unita bases and freed.

Tanker blaze kills 3

At least three crew members died aboard a blazing Greek tanker off the coast of northern Spain.

Yacht returned

France has returned a protest yacht to Greenpeace, the environmental group. It was seized during anti-nuclear demonstrations in the South Pacific last year.

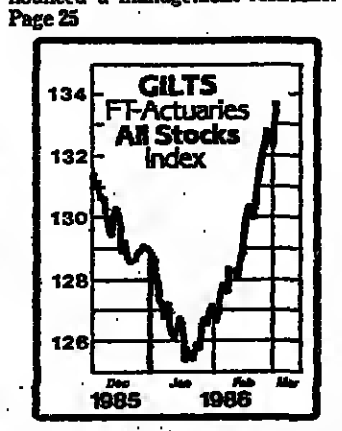
UK expels envoys

Britain expelled 25 foreign diplomats from a wide range of countries for criminal offences in 1985.

Mexico reduces borrowing estimate

MEXICO'S Finance Minister Jesús Silva Herzog has scaled down the country's new financial requirements for this year to about $6bn from estimates that have been as high as $10bn. However, he is still pressing international creditors for interest relief on Mexico's $97bn foreign debt. Page 24

BANKAMERICA, troubled West Coast banking group, has rejected a second attempt by Sandy Weill, ex-president of American Express, to become chief executive, and has announced a management reshuffle. Page 25



GOLD fell $1.25 an ounce in the London bullion market to close at $337.25. It rose in Zurich to $337.25 ($336.50). In New York, the Comex April settlement was $346. Page 38

DOLLAR fell in London to DM 2.1990 (DM 2.2195), SFr 1.8710 (SFr 1.8775), FFr 6.7675 (FFr 6.8325) and Y178.95 (Y179.55). The dollar's exchange-rate index fell from 117.6 to 116.8. Page 39

STERLING rose 2.15 cents against the dollar to close at $1.4635. It also rose to DM 3.2175 (DM 3.20), SFr 2.7375 (SFr 2.7075) FFr 9.9050 (FFr 9.8525) and Y262.0 (Y259.0). The pound's exchange-rate index rose to 73.3 from 72.5. Page 39

WALL STREET: The Dow Jones industrial average closed 10.37 up at 1,686.30. Page 46

LONDON equities and government securities surged ahead on institutional buying and the exchange rate. The FT Ordinary index jumped 14.8 to 1,281.3 – just below its record – and the FT-SE 100 index added 14 points to 1,548.8. Page 46

TOKYO reached a fresh peak on smaller volume as the Nikkei market average firmed 26.66 to 13,784.29. Page 46

AUSTRALIA has agreed to contribute its share in bailing out the International Tin Council. Page 38

JAPANESE securities houses Daiwa, Yamaichi and Nikko applied to join the London Stock Exchange, but negotiations might take months because of political obstacles. Page 24

ROYAL BANK OF CANADA, the country's largest chartered bank, had higher profits in the first quarter of fiscal 1986 and said it could withstand the impact of lower oil prices on its large energy loan portfolio. Page 25

NUOVO BANCO AMBROSIANO, successor bank to the late Robert Calvi's Banco Ambrosiano, reported a L23.4bn ($15.6m) net profit for 1985. The results are not comparable with previous figures, partly because of the bank's merger with its La Centrale financial subsidiary. Page 25

CRA, Rio Tinto-Zinc's Australian mining arm, boosted 1985 earnings before extraordinary items to A$87.8m (US$61.4m) from A$29.5m in 1984. Page 27

BREMER VULKAN, West German shipyard, plans to raise DM 145m ($65m) through a three-for-four rights issue. Page 25

DIAMOND SHAMROCK, Dallas-based energy group hit by the decline in world oil prices, announced a shake-up of its top management and the planned sale of its two biggest and most profitable businesses, coal and chemical operations. Page 25

Botha pledges end to state of emergency

PRESIDENT P. W. Botha of South Africa announced in Parliament yesterday that the state of emergency originally declared last July would be lifted "probably next Friday." But he made clear that amendments to existing security legislation would be introduced this session "to provide the authorities with statutory powers required to protect lives and property effectively," write Anthony Robinson in Johannesburg and Reginald Dale in Washington.

Mr Botha also offered to implement the UN settlement plan for Namibia (South West Africa) from August 1 this year. But he repeated South Africa's insistence that there first should be agreement on the withdrawal of some 30,000 Cuban troops in neighbouring Angola before the plan, which envisaged UN-supervised independence elections, could be put into effect.

Under the state of emergency, nearly 7,800 people have been arrested, of whom just over 200 are still in dentention, according to Mr Louis le Grange, the Minister for Law and Order. Lawyers commented last night, however, that the lifting of the emergency measures still left the police with extensive powers of arrest and detention under South Africa's draconian security laws, which are likely to be extended even further, according to Mr Botha's statement yesterday.

Nevertheless, one result should be the lifting of extensive curbs on coverage of the unrest by the media, especially television, which were introduced last November.

In Washington, the Reagan Administration welcomed Mr Botha's offer of a timetable for implementing Namibian independence and called for rapid moves to advance the long-running US-sponsored negotiations for a settlement. The White House announced that Mr Frank Wisner, Deputy Assistant Secretary for African affairs, would leave immediately for southern Africa to consult governments in the region on pursuing Mr Botha's initiative.

Mr Larry Speakes, the White House spokesman, also welcomed Mr Botha's announcement that the state of emergency in South Africa would soon be lifted, a move that Washington has long urged. It would be one step towards creating conditions, he said, "in which it will be possible to begin negotiations with credible black leaders leading to meaningful reform and a reduction in violence."

Mr Botha's announcement was made against a background of continuing unrest in black townships, which has caused over 1,100 deaths in the past two years. It was preceded two hours earlier by a bomb explosion at the John Vorster Square police station in central Johannesburg, which injured two policemen.

Mr Botha recognised that what is called "sporadic and isolated incident of violence" were still occurring but added that the situation had nevertheless "improved sufficiently" to lift the state of emergency.

The decision was immediately welcomed by the Federated Chamber of Commerce as a step "which would normalise South Africa's international relations and boost foreign and domestic confidence."

Several South African borrowers, including the electricity supply corporation Escom, will be visiting creditors and suppliers in Europe and the US in coming weeks to try to assess the climate for future borrowing. Removal of the state of emergency complies with one of the demands made by foreign bankers and others to normalise the situation in South Africa.

Mr Botha's statement on Namibia follows months of "shuttle diplomacy" by Mr Chester Crocker, the US Assistant Secretary of State for African affairs, which has involved the US, Angola, South Africa, Zaire and other front-line states, and parallel diplomatic contacts between Washington and Moscow.

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Less than a month before the planned expiry of South Africa's standstill on debt repayments several creditors are haggling over the interim deal due to follow it and there are fears that the deadline might have to be extended. Page 3

Bundesbank decision may lead to wider interest rate cuts

BY JONATHAN CARR IN FRANKFURT

THE WEST German Bundesbank looks set to decide tomorrow on a cut in its key discount rate – action that might pave the way for similar reductions in other countries, especially the US.

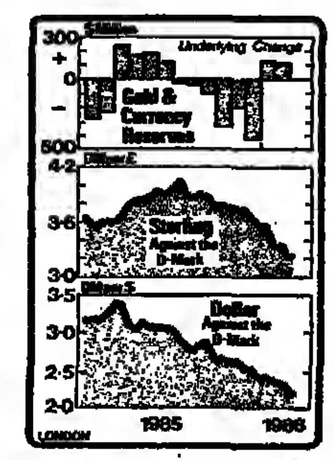
The most likely size of the cut is thought to be half a percentage point, taking the discount rate down to 3.5 per cent, although some bankers believe a 1-point reduction might be possible.

It is not clear whether the Lombard rate, which is charged for temporary injections of liquidity to the banks, may also be reduced. The Bundesbank cut both rates by half a percentage point last August, taking the discount rate to 4 per cent and Lombard to 5.5 per cent.

In a strict sense, the discount rate has assumed less importance on West Germany's financial markets as the Bundesbank has put increasing emphasis on more sophisticated open-market operations. A reduction, however, would still have a significant psychological impact and perhaps provide the impetus for the second reduction this year in Japan's official interest rates.

The Bundesbank has reasons of both domestic and international policy for cutting discount rate again. At home, inflation has dropped to less than 1 per cent at an annual rate but nnemployment remains above 2m.

Internationally, it is recognised that the US could hardly cut its key interest rates without spurring a further decline in the dollar – unless the Germans and perhaps the Japanese make reductions first.



Philip Stephens, Economics Correspondent, in London, writes: The UK Treasury announced yesterday that Britain's gold and foreign-currency reserves rose in February for the second consecutive month. The news confounded expectations and reinforced a recovery in the pound's value as the dollar weakened on foreign-exchange markets.

The US currency was depressed by an unexpected 0.6 per cent decline in the US index of leading indicators, which led to further falls in interest rates on Wall Street. That in turn fuelled the speculation that both Japan and West Germany might move soon to cut their official discount rates.

The UK Treasury said the reserves rose by $250m last month to stand at $15.8bn. After allowing for routine borrowing and repayment transactions, the underlying rise was $112m, which followed an increase of $132m in January.

Officials insisted that there had been no special factor for the increase comparable to the European Community rebate, which boosted the reserves in January. That suggests that the Bank of England may have taken advantage of a rebound in sterling's value during the early part of the month to buy small amounts of foreign currency on the markets.

The pound, however, has fallen sharply over the past week, recouping only some of those losses yesterday. That, and the prospect that the markets might remain nervous ahead of the meeting of the Opec, which will coincideng with the March 18 budget, will reinforce the authorities' caution over any early move in UK interest rates.

The budget itself is now widely expected to be virtually neutral in terms of the Government's overall fiscal stance, with the bulk of any reductions in income tax being offset by revenueraising measures elsewhere.

On the London foreign-exchange market, the dollar closed at its lowest level since November 1981, falling 2.05 pfennigs to DM 2.1990

US rates fall, Page 4; Editorial comment, Page 22; Pressure on Bundesbank, Page 28; Currencies, Page 39; Stock markets, Page 44

London SE curbs defensive tactics in takeover bids

BY MARTIN DICKSON IN LONDON

THE LONDON Stock Exchange yesterday clamped down on controversial new share-buying techniques and "poison pill" defensive tactics which have emerged in the current spate of major takeover battles.

The move complements a series of measures announced by the Bank of England on Friday to curb the growing direct involvement of merchant banks in takeover bids, particularly in buying large blocks of shares in target companies on behalf of clients.

The Stock Exchange announced yesterday that, with immediate effect, a company must get prior approval from shareholders if, not in the ordinary course of business, it agrees to accept liability for costs, expenses, commissions or losses by third parties where the liability was equal to, or in excess of, 25 per cent of its average audited net profits for the past three years.

Net profit is defined as profits after deducting all charges except tax and excluding extraordinary items. Unlimited liability is also subject to shareholders' approval.

The ruling is not retrospective, which means that it will not affect the two current takeover battles which have focused attention on the issues.

These are the battles for Imperial Group, the brewing, tobacco and foods company, which has agreed to a £2.4bn ($3.4bn) bid from United Biscuits but faces a rival offer of a similar amount from Hanson Trust; and that for Distillers, the spirits group, which has agreed to a £2.4bn bid from Guinness, but faces a hostile one from Argyll, the supermarkets business.

These have thrown up two particularly controversial issues. Morgan Grenfell has spent some £360m buying shares in Imperial on behalf of its client United Biscuits and some £180m buying shares in Distillers on behalf of Guinness.

Distillers has agreed to accept most of Guinness's costs in launching its bid, which will total £38.7m by the end of this month and could rise as high as £80m. If Argyll won, Distillers would still have to meet the costs. The agreement has been widely attacked as the first major example in Britain of US style "poison pill" defensive tactics.

United has an agreement to indemnify Morgan for any losses on its share buying, while Guiness has a similar agreement covering part of the purchases.

Hanson Trust complained last month that the United deal broke a stock exchange rule that a company could not spend more than 25 per cent of net worth on an investment without consulting shareholders, since United's last declared net worth was only £410m.

The stock exchange's initial response was that in demnity agreements were not covered by the existing rule. Yesterday's announcement plugs that gap.

The £470m of purchases by Morgan compare with the bank's last disclosed shareholders' funds of £174m.

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Nomura joins London Stock Exchange, Page 24

Chase hit by mass defection of bond traders

By Peter Montagnon, Euromarkets Correspondent, in London

A TOTAL of 13 Eurobond sales and trading staff tendered their resignations at the London merchant banking arm of Chase Manhattan yesterday in what is believed to be the largest mass defection the market has yet seen.

Chase said it had accepted the resignations of Mr Michael Bowen, head of international capital markets, and Mr John Salmon, head of trading. They are leaving to join Kleinwort Benson, the UK merchant bank.

A Chase spokesman said the bank had told 10 of the other staff involved it would not stand in the way of their leaving. One employee withdrew his resignation late in the evening.

Non the less, the exodus still stands to be larger than that suffered by Crédit Suisse First Boston when 10 staff left to join Merrill Lynch in January 1984.

One of those leaving Chase yesterday had joined the bank only on Monday.

The departures make a significant dent in Chase's Eurobond trading team and are bound to fuel the controversy in London over the way in which banks should approach recruitment at a time of general shortage of qualified personnel.

The Bank of England is known to frown upon the recruitment by one bank of whole teams of personnel from another. It regards such an approach as leading to inconsistency in management and as liable to fuel the rapid spiral in salaries, now becoming a political issue in the run-up to the so-called "Big Bang."

Yet many bankers argue that without the freedom to recruit expert staff in today's highly sophisticated markets, they risk over-reaching their capabilities and eventually being driven out of the business altogether.

Kleinwort Benson said it had no official comment yesterday. Bankers said its appointment of Mr Bowen and Mr Salmon appears to presage a new thrust into Eurobond sales and trading. They are expected to bring at least some of the other Chase bankers with them.

Kleinwort is already noted for its expertise in the debt swap market and has extensive US government bond trading and futures operations.

Mr Ron Reading, Chase's London director of securities trading, said last night: "It's clearly regrettable but we have a very strong commitment to this business." He said the trading team would be rebuilt quickly to its former capabilities.

Rivals vie to bid for BL units

BY KENNETH GOODING AND JOHN GRIFFITHS IN LONDON

ONLY FOUR major contenders for parts of BL's commercial vehicles operations had emerged last night as the British Government's midnight deadline for intentions to bid approached.

General Motors was the sole prospective buyer of Leyland Trucks.

Rival submissions for Land Rover have been presented by GM; a management buy-out group led by Land Rover-Leyland chairman Mr David Andrews; Mr Tiny Rowland's Lonrho group; and Aveling Barford, the privately-owned dumptrucks concern.

Mr Peter Morrison, the Industry Minister, yesterday refused to extend the deadline to allow the West Midlands Enterprise Board and Lancashire Enterprises to put in a declaration of interest in sponsoring a management buy-out of all or part of Land Rover-Leyland. But he asked Hill Samuel, merchant bank advisers to BL "to be as helpful as possible" in considering their approach.

The moves came as in Geneva, Mr Bob Lutz, chairman of Ford of Europe, said Ford was willing to restart talks about a possible takeover of Austin Rover, BL's volume cars subsidiary. He said the UK Government had panicked recently when it told Ford to end the talks and that the decision might eventually cost many jobs among UK component suppliers.

As Lonrho and Aveling Barford prepared to put their submissions to Hill Samuel, both were protesting privately that they had been given inadequate information to formulate their proposals, and denied access to Land Rover's premises.

Lonrho was keeping quiet about the precise structure of its proposals last night, but Mr Paul Spicer, a Lonrho director, said that Lonrho's world-wide vehicle distribution and assembly operations would give Land Rover a bright commercial future. "There are all sorts of possible formulae; you can do anything with Land Rover."

Aveling Barford, bought from BL by American businessman Mr Adrian Eschallier in 1983 – and now said to be making substantial profits – has put in a cash offer of an undisclosed amount for Land Rover. It has come up with an added sweetener in the form of a proposal to pay a royalty on vehicle sales to the UK Government, BL's majority shareholder, in the first three years following a takeover.

Meanwhile, Mr Andrews said his own consortium's approach, through Schroder Ventures and backed by "four of the leading financial institutions," provided for employees to have an equity stake in the company and envisaged a stock market flotation "in one to two years' time."

Mr Andrews expressed concern at the implications of a sale to GM, insisting that "all the decision-making should be kept in Britain."

One of his concerns, he said, was that Land Rover was one of the biggest customers for other parts of the BL business, taking engines from Austin Rover, services from BL Technology and software from Istel, BL's computers group. This could be put at risk if control moved outside the country, he said.

In Geneva, Mr Lutz, saying that there would have to be a major change in the climate of opinion in the UK which had produced a wave of "mindless nationalism," said time was running out for forging any links with Austin Rover. He estimated that within six months Austin Rover would be linked inextricably with Honda of Japan. Austin Rover was in the process of taking decisions about model replace-

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EUROPEAN NEWS

Signs of progress emerge as Geneva arms talks adjourn

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE US and the Soviet Union ended their current seven-week round of negotiations on nuclear arms control in Geneva in a much more optimistic atmosphere than seemed possible before last October's summit meeting between President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader.

Although Mr Viktor Karpov, the chief Soviet negotiator still complained yesterday that the US was being unco-operative — "we introduced a lot of proposals here and we regret there was no positive response by the American side" — the first signs of some progress have at last appeared.

The gap between the two sides remains considerable as the negotiations go into a two-month recess. But the statement yesterday by Mr Max Kampelman, the chief US negotiator, that "we have both committed ourselves to the negotiation of a separate agreement on INF (intermediate-range nuclear forces)" appeared to offer a dim light at the end of what has long seemed an endless tunnel.

When the negotiations opened in March 1985 after a 15-month interval following a Soviet walk-out, they were divided into three categories: space-based weapons, covering the US Strategic Defence Initiative (SDI), long-range strategic missiles and intermediate-range nuclear forces.

The Soviet Union at first tried to impose a linkage between the abandonment by the US of the SDI and progress in the other two groups. However, last October, Mr Gorbachev indicated that he was prepared to negotiate an interim agreement on medium-range nuclear weapons without any linkage to the other categories of weapons.

Since then, both sides have exploited the opening which has appeared in the complicated arms control maze by presenting specific and well-publicised proposals for the progressive reduction and eventual elimination of medium-range weapons.

Though Mr Gorbachev's three-phase plan for the complete elimination of nuclear weapons by the year 2000 also includes a 50 per cent reduction in Soviet and US strategic weapons in the first five- to eight-year phase, the emphasis in the negotiations recently has been almost entirely on INF.

Moscow proposed in January that all US and Soviet medium-range weapons in Europe should be eliminated, but that the medium-range Soviet SS-20s in Asia should remain untouched. At the same time, Britain and France would be asked to renounce the modernisation of their own nuclear deterrents and the US would give an undertaking not to transfer any new strategic or medium-range nuclear weapons to other countries.

Both the Soviet intention to maintain its Asian missile force and the demand that the British and French nuclear forces should be frozen, proved unacceptable to the US and its allies.

Britain and France have always argued, with full American support, that the US could not negotiate on their behalf and that it was up to the two superpowers to agree on a reduction, if not elimination, of their own nuclear weapons before others could be asked to join the negotiations. Moreover, there was no way in which British and French strategic weapons could be brought into an equation which dealt entirely with medium-range weapons, such as Pershing, cruise and SS-20 missiles, London and Paris maintained.

Other objections — from Japan, Australia and China — about the potential threat of Soviet SS-20 missiles based in Asia to their security, helped to shape the US counter-proposal, made at the end of last month.

Following extensive consultations with its allies, the US decided to modify its original plan that all medium-range missiles in Europe should be eliminated — more or less in line with the Soviet proposal — while Soviet Asian-based SS-20s should be reduced by only 50 per cent.

Instead, Washington proposed a three-stage plan under which US and Soviet medium-range weapons in Europe would be reduced in the first year to 140 launchers each, with proportionate cuts in Soviet Asian-based missiles. In the second year of this scenario, the number of launchers would be halved again and would be eliminated altogether in the third year.

The far-reaching nature of both the Soviet and US proposals can be judged by the arsenal of medium-range nuclear weapons at present deployed or planned. The Soviet Union is estimated by Western experts to have 441 SS-20 missiles, of which about 240 are in the European part of the Soviet Union and 170 in Asia, with the rest stockpiled.

The US has 108 Pershing-2 missiles plus cruise missiles which will eventually reach 464, making a grand total of 572.

Quite apart from their differences over medium-range missiles, the deadlock is still complete over strategic weapons and the SDI, as well as on Mr Gorbachev's demand that the US should agree to a nuclear test ban. But Mr Kempelman's closing statement indicates the kind of progress on which arms negotiators can build.

Moscow shelves river diversion schemes

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET UNION has shelved two big projects to divert water from rivers emptying into the Arctic seas and use it in the south of the country to irrigate dry lands, according to a senior planning official.

Mr Leonard Vid, deputy chief of the state planning organisation, Gosplan, said yesterday that the water level of the Caspian Sea was no longer falling and therefore the so-called Northern Rivers Scheme would be postponed.

The vast projects have been the subject of continuous debate in the Soviet Union over the past three years. Senior officials and academics have attacked them as expensive, not cost effective and a danger to the environment.

The scheme to take water from the Irtysh river in Siberia by canal to the plains of Uzbekistan in Central Asia fell out of favour last year and was not mentioned in the five-year plan, despite years of lobbying by Central Asian political leaders. Uzbekistan and the four other Soviet republics in Central Asia depend heavily on irrigation but local water sources are seriously depleted.

The Northern Rivers project in the European part of the country was mentioned in the draft five-year plan but has now been shelved, according to Mr Vid. The aim was to divert water from the Onega and Dvina rivers into the Volga which flows into the Caspian.

Mr Vid said that the level of the Caspian fell between 1940 and 1977 because of irrigation. It was at this time that the calculations behind the Northern Rivers Scheme were made. Since then, however, the water level has been rising.

Postponement had been expected ever since the project was attacked strongly in the Communist party daily newspaper, Pravda, last month by Mr Abel Agenbegyan and other senior academics. They said that the money required would be much better spent on soil improvement schemes in traditional farming areas.

Mr Mikhail Gorbachev, the Soviet leader and former party secretary in charge of agriculture, has in any case shown little enthusiasm for grandiose irrigation or other projects. In sharp contrast to two of his predecessors, Mr Leonid Brezhnev and Mr Konstantin Chernenko, he has emphasised heavy investment in raising the quality of agricultural inputs.

Mr Vid and the other senior Soviet economic officials emphasised that the new five-year plan (1986-90) emphasised quality production above all. Higher prices will be charged for better quality goods for which there is demand, according to Mr Valentin Pavlov, the Deputy Finance Minister, but prices as a whole will not be changed.

He said that bank credit would be used more freely than now to fund projects but that it would be granted only to schemes which kept to their construction schedules. In the past, economists have said that the easy availability of cheap credit has encouraged enterprises to pay little attention to more cost-effective methods.

According to Mr Vid, in future many of the targets previously set in Moscow would be delegated to the provinces, particularly in the consumer sector. "Factories are producing goods for the population that nobody wants, but in Moscow we don't know, to take one example, what foodstuffs and consumer goods are needed in the Ukraine."

Police believe that professional killer murdered Palme

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

STOCKHOLM POLICE said yesterday they believe that the man who murdered Mr Olof Palme, the Swedish Prime Minister, was a professional killer. Mr Hans Holmer, the Stockholm police chief, also revealed that more than one person was involved in the assassination.

The killer was seen by a taxi driver stepping into a waiting get-away car only a few blocks from where Mr Palme was murdered. According to this witness, who has only come forward later in the investigation, a police officer was close behind the killer, but the car was already moving when he arrived at the scene.

"We were close to catching the killer," said Mr Holmer. The police officer arrived too late to see the disappearing car, however.

Last night, the police were still trying to trace the car. The taxi driver has provided a registration number, but was not sure of all the figures.

Stockholm police are offering a reward of up to SKr 500,000 (£48,000) for information that can lead to the killer. "I hope that someone is sheltering this man and that we can buy them with this money," said Mr Holmer.

Four days after the assassination the police still appear to have few firm clues, however, and they have run into sharp criticism for the way in which the murder hunt has been conducted.

Mr Holmer admitted yesterday that the police are facing a protracted investigation. "In my opinion we are dealing with a professional killer . . . I think this case is a very tough one; it will take time to solve it. We have a tough time ahead of us."

Interpol is involved in the hunt, but the Swedish police is also in direct contact with the police authorities in several West European countries and in the US. US police have offered help both with tracing the origin of the bullets that killed Mr Palme and injured his wife and with information on professional contract killers.

Much of the criticism of police conduct has concerned information about the two bullets, both of which were found at the murder site by civilians. Stockholm police first claimed that the bullets were highly unusual. Yesterday it became clear that they can be bought at Swedish gunshops.

Mr Holmer was unable to explain why the police ballistics laboratory had not been called in to help the investigation. The bullets are copper-tipped of a type .357 magnum metal-piercing, able to penetrate light metal or a bullet-proof vest. They could be fired by a Smith and Wesson or a Colt revolver, one of the most powerful handguns available.

Many of the world's leaders are expected to attend Mr Palme's funeral on Saturday week.

Romania fears for trade status

By Leslie Colitt in Bucharest

ROMANIA IS becoming increasingly worried about US criticism of its human rights policies and threats to cut off most favoured nation (MFN) trade benefits.

A senior official here reacted angrily to recent remarks by Mr Mark Palmer, US deputy assistant secretary of state for European affairs, who said that Romania had a "repressive regime" which did not share US principles on human rights.

Mr Palmer was speaking to a Senate foreign relations subcommittee bearing on legislation to suspend Romania's MFN status for six months. This would be a serious blow to Bucharest's balance of trade which last year had a surplus of $900m with the US.

The Romanian official, who did not want to be identified, asked how Bucharest could depend on trade with a country which placed a "Sword of Damocles" over its head every year.

Most favoured nation trade status, first granted to Romania in 1975, was linked with an agreement to allow Romanian Jews to emigrate to Israel and the US. An annual review is conducted by the US Congress before the arrangement is renewed.

Less than 50,000 Jews remain in Romania; most of those are elderly and wish to stay.

Some members of Congress have pointed to alleged violations of human rights in Romania and have pressed for the situation to be improved before MFN status is renewed. Mr Palmer told the Senate subcommittee that it should be seen in connection with US "national security interests." Another State Department official has noted that MFN status has helped Romania maintain a greater degree of economic independence from the Soviet Union.

US diplomats here largely favour continued MFN status for Romania, arguing that the annual review allows them to obtain human rights concessions.

Belgrade urged to drop N-plans

BY ALEKSANDAR LEBL IN BELGRADE

A CALL to cancel Yugoslavia's recent international tender for four 1,000 mW nuclear power stations has added a political dimension to the controversy over the future of nuclear energy in the country.

At last week's meeting of the Communist party central committee, Mr Dragisa Ivanovic, a university professor leading the anti-nuclear lobby, called for the tender to be cancelled. He described the decision to build the plants as "a noose around Yugoslavia's neck," in terms of both the cost in scarce foreign exchange and of the health risk in storing nuclear waste.

Defending the decision, however, Mrs Milka Planinc, the Prime Minister, said expert opinion held that Yugoslavia, with only modest indigenous oil and gas reserves, could not solve its energy problems without greater resort to nuclear power. She promised, and the central committee resolved, that there would be the widest possible expert and public consultation.

The prospect, therefore, is for further delay of the nuclear programme in general and of the country's planned second reactor in particular. The chosen site for this is Prevlaka in central Croatia, after inhabitants of one of the Adriatic islands successfully rebuffed an attempt to place the 1,000 Mw reactor there.

Yugoslavia at present operates a Westinghouse-built 664 Mw reactor at Krsko in the western part of the country. After construction delays, cost overruns, and initial operating problems, it generates only a fraction of Yugoslav electricity.

Nordic economic stance agreed

BY HILARY BARNES IN COPENHAGEN

NORDIC FINANCE ministers yesterday adopted a joint statement calling for measures to reduce economic imbalances in and between the main industrial countries, to resist protectionism, to tackle the debt problem and improve the functioning of the international monetary system.

The joint position is intended to enhance Nordic influence at important international meetings in coming weeks, including that of the IMF Interim Committee, the OECD's ministerial council and the World Bank Development Committee.

Although the Nordic countries have a long tradition of co-operation in the economic field, this is the first time they have adopted a joint "framework" position as the basis of international negotiations, according to Mr Palle Simonsen, Denmark's Finance Minister.

The Swedish minister, Mr Kjell-Olof Feldt said: "International co-operation is necessary to avoid more serious problems than we already have and to utilise the opportunities ahead."

The ministers welcomed the Group of Five initiative to reduce exchange rate misalignments. They suggested a procedure by which violent exchange rate movements should trigger automatic consultations on the need for policy adjustments a proposal which they linked with further exploration of the idea of "target zones" for the major currencies.

On the international debt problem, the ministers called for a strengthening of the resources of the multinational institutions, such as the IMF, and appealed for creditor countries to accept greater responsibility in relation to debt problems.

North Sea rig barred from drilling

By Fay Gjester in Oslo

ONE OF the largest, newest drilling rigs working in the North Sea has been temporarily barred from drilling by the Norwegian Petroleum Directorate (NPD), the state body responsible for enforcing safety offshore.

The rig's drilling licence has been revoked and a new one will not be granted until all its technical and administrative systems have been checked and certain alleged deficiencies remedied.

The delay will be costly—reported charter rate for the unit is $60,000 (£42,857) a day.

The semi-submersible Henry Goodrich, owned by Sonat Offshore Drilling of the US, arrived in Norwegian waters only a few months ago from its Japanese building yards, and was chartered by Elf-Aquitaine After initial checks run by the oil company, it was granted an NPD drilling licence, and began work in December on an exploration well near the Anglo-Norwegian Frigg gas field.

Eleven days ago the directorate withdrew the licence after two small gas zones had been found in the well and a different section of the directorate had ordered Elf to run tests on the two zones.

Doctors rule challenged

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A FRENCH requirement that doctors from other countries wishing to practice in France must remove themselves from the professional registers in their own countries is a breach of EEC law, the European Court was advised yesterday.

Giving his opinion on a case brought against France by the European Commission, Sir Gordon Slynn, one of the court's Advocates General, said the requirement breached Treaty of Rome provisions for the free movement of workers and the freedom of self-employed people to provide services.

France requires doctors to give up national professional registration before being enrolled in the Ordre de Medecins and entitled to practice in France. It argued that the requirement was essential if patients were to have continuity of treatment.

Sir Gordon said that, while that might apply to general practitioners, it could not apply to specialists. The court will give its ruling later.

W. German jobless up slightly at 10.4%

UNEMPLOYMENT ROSE only fractionally in West Germany last month to stand at 2.593m, or 2,700 more than at the end of January, according to figures yesterday from the Federal Labour Office in Nuremberg, Rupert Cornwell reports from Bonn.

The 10.4 per cent unemployment rate is the second highest ever recorded for a February, exceeded only by the 10.5 per cent rate in February, 1985. Short-time workers were 294,500 in February, while the number of notified vacancies rose by 15,000 to 137,094, the Office said.

Italian air routes

Italy has partially deregulated short-haul airline traffic on domestic and some international routes, Transport Minister Claudio Signorile said yesterday, AP reports from Rome. Regional airlines operating aircraft with up to 70 seats will be allowed to fly between secondary Italian cities and on cross-border routes to other EEC countries.

Rome gang trial

Fifty-nine people alleged to be members of a group known as the "Clockwork Orange gang" because of its methods of brutality went on trial yesterday on charges of rape, robbery and kidnapping in northern Italy, Reuter reports from Rome.

Danish wine taxes

The European Court of Justice yesterday found Denmark guilty of breaking EEC trade laws by fixing taxes on nationally-made fruit wines and liqueurs more than a third lower than the tax on imported grape-based wines and spirits, Reuter reports from Luxembourg. The court ordered Denmark to hand out equal tax treatment to domestic products and EEC imports.

Cyprus airport

A controversial new airport in Turkish Cypriot northern Cyprus will open on Friday, Prime Minister Dervis Eroglu, said yesterday, Reuter reports from Nicosia. Turkey has met the $10m cost and Turkish Cypriot leader Rauf Denktash has said that it could be used by Turkish armed forces

Dutch army leave

Almost half of the Dutch army, which totals 63,000, is to remain at home on the last Friday of each month as part of a Government campaign to cut working hours for all public employees, AP reports from The Hague.

New Interior Minister

Veteran Dutch politician Mr Hans Wiegel was yesterday named as the successor to Mr Koos Rietkerk, Minister of Interior, who died suddenly in office 12 days ago, AP reports from The Hague. Mr Weigel, 44, is a member of the right-wing Liberal Party.

Russian vanishes

The Russian-language editor of Radio Liberty, the US-financed radio station, took his valuable stamp collection but no money before he vanished a week ago, police told AP in Munich. Mr Oleg Tumanov (41), a Soviet emigre who has worked for the station for 20 years, called in sick last Tuesday and has not been seen since.

Gibraltar airport talks

Spanish and British officials yesterday began a fresh round of talks on the joint use of Gibraltar airport in the British colony, Reuter reports from Gibraltar. The talks follow Spain's decision last year to open its border with Gibraltar after a 16-year blockade.

Paul Betts in Bordeaux follows a charismatic elder statesman who may still have a role to play

Aquitaine's favourite son polishes up 'new society' plan

THE 700 locals crowding the village hall of Sainte-Livrade, a small rural community in the department of Lot et Garonne in south west France earning an adequate livelihood from the production of prunes, suddenly let out a roar.

They were not so much saluting the presence of the popular Mr Jacques Chaban-Delmas, the mayor of Bordeaux and former Prime Minister, as the fourth try by the French rugby team against the Welsh at Cardiff Arms Park.

As is usual, rugby is attracting more interest than politics in Aquitaine. The current legislative election campaign has been less intense than in the past because the result for most people is already a foregone conclusion.

The right-wing Opposition is expected to gain most of the seats in this traditionally radical belt of the country. The Socialists are likely to win only about 10 out of the 27 seats for the five departments of Aquitaine in the new National Assembly. In the old Assembly, before proportional representation, the Socialists had 18 out of 24 seats.

Despite the general apathy in the country, the campaign in the south west has nonetheless gained a national resonance because of the Prime Ministerial prospects of the region's favourite son. Although it is now probably only a thin outside chance. President Mitterrand could still turn to Mr Chaban-Delmas, his old friend and political rival, to form a new government after March 16.

In any event, Mr Chaban-Delmas is leaving nothing to chance. He has been brushing up his programme of building a "new society" which he launched but never completed when he was Prime Minister under President Georges Pompidou 17 years ago. He says he has never asked for the job but adds, in good Gaullist traditional style, that he would be willing to form a government if it were in the best interest of France.

About six months ago, the possibility of the 71-year-old silver-haired politician being called to form a government by President Mitterrand was very real. It now looks increasingly likely however that President Mitterrand will ask Mr Jaques Chirac, leader of the RPR neo-Gaullist party and mayor of Paris, to lead if the Opposition parties gain a clear majority.

Unlike Mr Chaban-Delmas, Mr Chirac is a leading presidential candidate, and according to many political observers his likely choice reflects President Mitterrand's intentions to pursue a strategy of political confrontation with the right rather than to retire to the background and let the new majority govern at its ease.

By contrast, the appointment of a man like Mr Chaban-Delmas, with whom President Mitterrand has always been on friendly terms, would imply an effort to forge a constructive relationship between a Socialist President and a right-wing government.

If there were an unexpected last-minute swing back in favour of the Socialists or a split majority in the elections, Mr Chaban-Delmas's prospects of being asked to form a government could rise again. Despite the political ambitions of right-wing leaders like Mr Chirac or former President Valery Giscard d'Estaing, it would be hard for the right to oppose an old Gaullist baron like Mr Chaban-Delmas if he were called upon.

In his public speeches, Mr Chaban-Delmas warns of the danger of a period of political turbulence in France. After watching the French defeat the Welsh on a giant screen set up for the occasion in the Sainte-Livrade village hall, the former French rugby international got up and said that the French had always been torn between "genius and indiscipline."

At Cardiff, genius had prevailed and the French had won, while a few weeks before, at Murrayfield, indiscipline had prevailed and the Scots had triumphed. France, he added, needed now a period of calm and discipline. But he acknowledged that the likely situation after March 16 will be "very complicated" with a Socialist President presiding and a centre-right Government governing.

Apart from his considerable personal charm—despite his age he continues to project an image of youth with his aides calling him "le petit jeune homme" when they are not referring to him as "mon generale," echoing his past as a Resistance hero—Mr Chaban Delmas's special blend of radicalism and Gaullism has helped him overshadow all his political opponents in the region.

That blend is reflected in his cherished Kennedy-like "new society project." He believes he was ahead of his time with the programme which introduced collective bargaining in France and proposed a system of permanent training to enable workers constantly to readapt themselves for new jobs.

At Sainte-Livrade, Mr Chaban-Delmas said: "I continue to believe we must work towards building a new society which is more just and more humane." He said he had recently reread the 47-page speech he made in 1969 launching his "new society" programme. "At least 27 pages are still relevant today."

These 27 pages are likely to constitute the backbone of his plan should he be called to form a government in two weeks time. If he is not, he will continue to rule his region and his town, play golf and jog every morning.

After all, he has held virtually every key office in France with the exception of the Presidency. His only big regret is that he will not have been able to push forward completely with the "new society."

Mr Jacques Chaban-Delmas (right) found himself in trouble with other opposition leaders yesterday after being quoted by a Swiss newspaper as saying that he was "ready" to lead a government. His comments were seen as adding to the divisions within the opposition where Mr Jacques Chirac's name has been surfacing as the main candidate for the post of Prime Minister.

He also ran counter to the dominant feeling in the opposition when he seemed to give support to President François Mitterrand in saying that a new majority could not impose a Prime Minister on the President. Mr Chirac's argument has been that the leader of the new majority in the National Assembly was in a strong position to set his own terms for forming a government.

In practice, Mr Chaban-Delmas saw himself as having a good chance of being named Prime Minister by Mr Mitterrand some months ago when the result of the election looked less clear cut. Increasingly of late he has seen that events are swinging in Mr Chirac's favour. He does not want, however, to rule himself out of the race and thus said yesterday that he was "ready for anything."

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Aquino team seizes assets of Marcos regime

BY ALAIN CASS AND SAMUEL SENOREN IN MANILA

THE Philippines Presidential Commission appointed to seize the assets of deposed President Ferdinand Marcos, his family and friends, estimated at $5bn-$10bn (£3.4-7bn) swung into action yesterday at home and abroad.

The commission, which has been given sweeping powers, seized the assets of the country's sixth biggest company, froze several large bank deposits in the Philippines and announced that it would hire legal teams in several foreign countries to recover the "ill-gotten wealth" of the former leader and his associates.

In addition to proceedings already under way in the US, the commission intends to start legal action to recover cash deposits and other assets in Brazil, the Bahamas, Switzerland and the UK.

Mr Jovito Salonga, chairman of the Commission on Good Government said the Government of Mrs Corazon Aquino intended to "go after these people with all the enforcement powers of the Government."

He refused to disclose the Government's estimate of the illegal assets but another commission member said they ran into "several billion dollars."

Mr Salonga yesterday had talks with Mr Philip Habib, the US special envoy in Manila, to press home the Aquino Government's determination to pursue Mr Marcos in exile.

The first Filipino company to be placed under sequestration is Meralco, a power supply utility in Manila area. Meralco has annual revenues of $550m and was seized from Mr Farnando Lopez, a former vice president, when the Marcos Government imposed martial law in 1972.

The company was supposed to be owned by its subscribers through a foundation, but the commission believes the funds were channeled to companies and interests of a Marcos family member, Mr Benjamin Romualdez, the former First Lady's brother and ambassador to the US.

The commission has powers to seize property, take over businesses, issue subpoenas, hold people in contempt and pursue proceedings abroad.

But it faces formidable problems in attempting to seize foreign assets. It still does not know in how many countries those assets exist. Its envoy in Hawaii, where President Marcos and his entourage are based, has been told to recover confidential documents believed to detail the Marcos fortune which arrived at Hickham air force base along with millions of dollars in cash. These have now been placed under a court order.

Commission members recognise that courts in some foreign countries may not agree to order e disposal of assets such as property or art works, nr the return of proceeds to the Philippines, because neither Mr Marcos nor his entourage may have committed offences abroad.

Even if the Philippines is successful in recovering the contents of the now frozen millions at Hickham air force base, lawyers argue that the vastly bigger prize of properties and financial holdings may prove more difficult.

One commission member conceded that, in the final analysis: "We may have to exert political pressure."

Meanwhile, the rumbling disagreements in the Aquino Government came into the open yesterday when Unido, the party of Vice-President Salvador Laurel, publicly rebuked Mrs Aquino's party for terminating the terms of office of all local officials and judges.

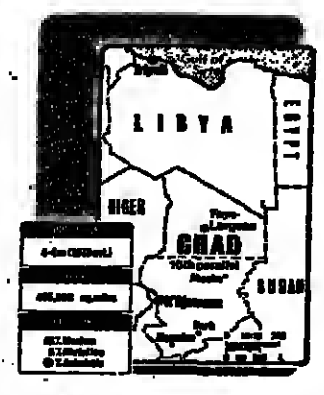
Mr Rene Espina, Unido general secretary, said the move was "political slaughter." The move was ordered by Mr Aquilino Pimentel, the Minister of Local Government and co-leader of the PDP-Laban Party.

The move to cut short the terms of office of the country's mayors, governors and judges is aimed at consolidating Mrs Aquino's power base by replacing the existing officials with her supporters. It has provoked a major outcry, even among many of her own supporters who regard the actions as undemocratic.

Yesterday 24 judges of the Court of Appeal, the country's second highest court, resigned but most Supreme Court justices were standing firm saying that, under the present constitution, Mrs Aquino had no right to dismiss them.

Habre considers counter-offensive in northern Chad

BY PETER BLACKBURN IN ABIDJAN



PRESIDENT Hissein Habre of Chad may be poised to launch a counter-offensive to recapture his native oasis town of Faya Largeau and the rest of northern Chad, which has been occupied by Libyan-backed rebel forces for nearly three years.

But he is likely to await the end of the Organisation of African Unity's mini-summit on Chad in Addis Ababa this week, although sceptical of its outcome. "The OAU has so far not settled a single conflict and it would be a miracle if it could resolve the question of Libyan aggression," he said in N'Djamena last week.

Several factors suggest that President Habre may be tempted to seize the initiative in a bid to reunite the country and restore peace after more than 20 years of civil war.

Morale is high among his troops after they successfully repulsed an attack by the forces of Mr Goukouni Oueddei, who descended south across the 16th parallel early last month. The subsequent arrival of fresh French and American military equipment, although mainly for defensive purposes, has also strengthened his forces' striking capacity.

The recent reconciliation with Colonel Kotiga, the most important of the remaining southern rebel commanders, also means that for the first time in many years the mainly Christian south is secure and that President Habre can concentrate most of his troops on the northern front.

Morale among Mr Goukouni Oueddei's forces has been sapped by defections, long months of inactivity in an inhospitable desert environment and strained relations with his Libyan allies. The recent attack followed the supply of new fighter aircraft and was aimed at raising morale and showing that the Opposition was still active, observers believe. They discount the idea that it was a decisive attempt to take N'Djamena.

Colonel Gadaffy the Libyan leader, is concerned about security in the Mediterranean, following the manoeuvres of the US 6th fleet in the Gulf of Sirte, and the sharp decline in the country's oil revenues has discouraged him from launching costly new military campaigns in remote desert locations.

Although the French were quick to defend President Habre's regime they seem less willing to support a counter-offensive. The strategy has been to provide protective aircover.

French aircraft bombed the Ouaddi-Doum strip in the north east, putting out of action a strategically important rebel supply point. Most of the nearly 1,000 French troops flown into Chad have been support rather than combat soldiers, stationed in N'Djamena mainly to protect the airport.

When the French last intervened in 1983, French troops were deployed in exposed desert positions protecting the 16th parallel partitioning the country. The French Socialist Government was reluctant to intervene and thereby risk charges of continuing a colonial "gendarme" role in Africa.

This time there were no such qualms and the quick, firm response probably surprised Col Gadaffi who may have been calculating that President Francois Mitterrand would be preoccupied with the campaign for the French general election.

In fact the French President, piqued by the Libyan leader's failure to honour a mutual troop withdrawal agreement in September 1984, saw the opportunity to recover prestige with a show of firmness.

Relations between the French and President Habre are now much closer than when French troops last went to Chad in August, 1983. Mr Habre had then only recently graduated from being a rebel leader opposed to the French-backed Government of Mr Goukouni Oueddei.

While Mr Habre has consolidated his position and brought the south under his control, he still needs French aerial and logistical support to recapture the north. But how far the French will commit themselves is still in doubt.

NZ protest over export obstruction

By Dai Hayward in Wellington

NEW ZEALAND Prime Minister David Lange has written to Mr Roland Dumas, French Foreign Minister, protesting at the political obstruction of New Zealand exports in retaliation for the continued imprisonment of the French agents involved in the Rainbow Warrior bombing.

He warned in his letter that if the "political interference continoes" New Zeelend may take action under international trade agreements. New Zealand has already referred the matter to the Organisation of Economic Co-operation and Development and intends to raise it with Gatt—the General Agreement on Tariffs and Trade.

Mr Lange told Mr Dumes imports are "being obstructed by administrative decisions of French authorities in both metropolitan France and New Caledonia."

He pointed out that continued French trade retaliation would "seriously inhibit" attempts to ease relations.

Government sources in New Zealand privately point out that continued vocal egitation from France for the release of the two agents simply makes it more difficult for New Zealand to consider remitting their 10-year sentence.

Imports already affected by the alleged obstruction include lamb, fish, seed potatoes.

Pretoria's debt proposals met with an uncertain consensus, **Peter Montagnon reports**

Haggling continues over Leutwiler plan

WITH LESS than a month before the present standstill on debt repayments to commercial banks is due to expire, South Africa is still far from home and dry on a new debt restructuring agreement.

Several creditors, particularly in the US, are haggling over the terms of an interim deal proposed by Dr Fritz Leutwiler, the Swiss mediator between Pretoria and its banks, which is intended to take effect when the standstill runs out.

As a result, fears are growing that the deal may not be ready in time for the end-March deadline and that tha standstill may have to be extended.

At a press conference following the last round of negotiations in London on February 20, Dr Leutwiler said a broad consensus bad been reached on his proposals. A number of creditor banks now say the consensus only refers to the framework of his approach and some say Dr Leutwiler was over-optimistic in his description of the meeting's outcome.

"There is no unanimity on this proposal," said one banker yesterday. "We feel we have been sandbagged," he added.

The proposals call for the maturity on some $10bn (£6.9bn) in frozen debt to be rolled forward until Merch next year, though South Africa would repay 5 per ceot of the total, or $500m. Whet bappens afterwarda would be decided at a major review by bank creditors next February, although there would be an interim review of its economy in the summer.

Among the 30 leading banks who attended the London meeting there is little, if any, disagreement over the concept behind this approach. It is a short term solution which will keep up pressure on South Africa politically. It establishes the concept of an immediate repayment of some of the frozen debt.

Where the consensus breaks down, however, is on the details. Some banks would like the deal to last for longer than just one year. US banks, which started South Africa's debt crisis in the summer of last year, have also been in the forefront of those demanding a bigger downpayment. They argue that South Africa could afford to pay more since oil prices have dropped and the gold price has risen since the start of the year.

But this is a very controversial demand. South Africa only agreed reluctantly to the $500m down payment this year and Dr Leutwiler has told bankers he will resign as mediator if they insist on more.

A technical committee of 12 banks, established following the London meeting, has sent a team of economists to Pretoria to review the South African figures. They should return at the end of this week. Meanwhile another team of bankers is working on the legal documents for the deal.

This is also a complicated process. The Leutwiler scheme is unusual for a rescheduling in that it calls for implementation through bilateral agreements between the banks and individual debtors. This opens up the possibility of one creditor arranging a more advantageous deal than his competitors. Banks are very sensitive to this and they want the documentation to be watertight.

The technical committee — comprising Barclays, National Westminster, Standard Chartered, Credit Suisse, Union Bank of Switzerland, Swiss Bank Corporation, Commerzbank, Deutsche Bank, Dresdner Bank, Citibank, Manufacturers Hanover and Morgan Guaranty —is due to meet again early next week in London to try and thrash out these problems.

Only if it succeeds—and if Dr Leutwiler and the South African authorities agree to any changes proposed—will the final draft of the arrangement be sent out to a further 230 smaller creditor banks.

Then comes the task of persuading these banks to agree. Most bankers reckon that will be even harder than the job of drafting the deal itself. And by then there will be less than two weeks before the standstill expires.

Amnesty launches S. Africa campaign

AMNESTY International, the London-based human rights organisation, today launched a worldwide campaign to end what its calls "extensive violations of human rights" by the South African Government, Michael Holman writes.

In an open letter to President P. W. Botha, Mr Thomas Hammarberg, Amnesty's secretary general, accuses the Government of responsibility for daily abuses of power which have increased "markedly" over the past year. Thousands of South Africans have been detained without trial, says the letter, while hundreds have been subjected to torture or ill treatment.

Between September 1984 and November 1985 over 800 people, including children, have died in township unrest, many shot dead by police or military personnel who have been given immunity from prosecution, according to a 17-page Amnesty report which accompanies the letter.

At least 12 political detainees died in police custody between 1981 and 1985, says the document, which also highlights attacks on the homes of anti-apartheid campaigners some of whom, it says, have been killed apparently on account of their opposition to government policies.

Amnesty is calling for the immediate release of what it terms "prisoners of conscience" who have neither used nor advocated violence, the release of all political detainees, curbs on police powers and the establishment of a judicial commission of enquiry into allegations of torture and ill treatment.

AMERICAN NEWS

Fall in economic indicators pushes down US rates

BY STEWART FLEMING IN WASHINGTON

AN UNEXPECTED 0.6 per cent decline in the US index of leading economic indicators in January helped to spur further falls in interest rates on Wall Street yesterday.

The decline, coupled with speculation that both West Germany and Japan could move to lower their discount rates, have revived hopes on Wall Street of a cut in the Federal Reserve Board's discount rate from its current 7½ per cent.

The bond market rally has taken interest rates on 30-year Treasury securities to 8 per cent, their lowest level in eight years and only a half percentage point above the 7½ per cent discount rate.

Interest rates on short term funds including three month Treasury bills are well below the discount rate. This would allow the Fed to lower the discount rate but enable it to talk down the significance on monetary policy of such a step by saying that it is simply following market rates down.

The decline in the index of leading economic indicators reflects some of the mixed economic data that has been reported in January.

One month's data, particularly accompanied as it was by an upward revision of the December index from a rise of 0.9 per cent to a rise of 1.5 per cent, is unlikely to lead private economists to change significantly their economic projections.

Most economists are expecting growth at an annual rate of around 3 per cent in the first quarter up from 1.2 per cent in the fourth quarter of last year.

But economists who have been projecting a stronger first quarter have been trimming their expectations back recently, not least because of their concerns about the impact of the further sharp increase in the trade deficit in the past two months.

TWA struggles to reach pay deal with cabin staff

BY TERRY DODSWORTH IN NEW YORK

A BITTER tussle over a pay contract for nearly 6,000 cabin staff at Trans World Airlines, the transatlantic carrier, entered a critical stage yesterday as management and union representatives tried to reach agreement before a strike deadline of midnight tomorrow.

Settlement of the dispute, in which the company is asking for substantial pay cuts from the cabin crews is a key item in the reorganisation of the airline by Mr Carl Icahn, the Wall Street speculator who acquired control of TWA last year.

Last year, the company ran up losses of $193m (£133m), and in the current quarter expects to lose $125m. The cost of a dispute with the flight *attendants has* been put at aronnd $75m. This wonld hit TWA hard at a time when it is also trying to restructure itself to accommodate Ozark, a regional carrier acquired only a week ago.

Mr Icahn has already reached agreement with the pilots and mechanics' unions, and argues that the bostesses must take even larger wage redoctions to make TWA competitive.

Marred by a deep-felt antagonism between the flight attendants' union and Mr Icahn, the talks are being led by a mediator from the National Mediation Board. Few details of the contract proposals have been given so far, but the union says that the company is asking for wage concessions of around 22 per cent while it has offered to accept employment cost reductions of around 15 per cent.

In a clear attempt to coerce the *attendants* into an agreement, Mr. Icahn has widaly publicised the fact that he has trained strike-breaking replacements for the cabin staff in case of a dispute.

Pressure grows on Reagan to lift revenues

By Our Washington Staff

PRESSURE IS mounting on the Reagan Administration to approve revenue raising measures as part of the attack on the federal budget deficit.

Senator Pete Domenici, chairman of the Senate Budget Committee, who has made no secret of his conviction that new revenues will be needed, has expressed support for a tax amnesty as a way of raising revenues without directly increasing taxes. President Ronald Reagan has said he opposes the idea, however.

The tax amnesty, which would permit tax evaders to pay back taxes without having to pay fines, is one of several revenue raising options which the budget committee is expected to debate when it begins formulating a budget resolution today.

Reportedly other options which the staff of the budget committee is presenting for review are increases in taxes on oil, gasoline, cigarettes, beer, wine and social security retirement benefits.

Each of these ideas is intensely controversial and the prospects for any of them are uncertain, particularly in the face of presidential opposition.

They need to be seen too in the broader context of a budget debate in which President Ronald Reagan is pushing for increases in defence spending and cuts in non-defence programmes which are widely regarded on Capitol Hill as politically unrealistic.

As the budget committee prepares for what promises to be a tortured debate on fiscal policy the Senate Finance Committee is getting down to the task of preparing its version of the Tax Reform Bill which was approved by the House of Representatives in December of last year.

Nearly 50 senators have reportedly signed a letter calling for Mr Reagan to agree to postpone the consideration of tax reform until progress has been made on the budget deficit. But the White House has made it clear that tax reform is a high priority.

Stewart Fleming reports on the arguments over the US currency and interest rates

Trade deficit hangs over dollar debate

US ECONOMIC DIARY

IN THE PAST two weeks the foreign exchange markets have had to endure the worrying spectacle of Washington's two top economic policymakers, Treasury Secretary James Baker and Federal Reserve Board chairman Paul Volcker differing in public on the value of the dollar and, by implication, the thrust of economic policy.

They have also been served with a reminder by Mr Preston Martin, the Fed vice-chairman, that the Fed itself is uncertain about how best to proceed in securing continued economic growth while containing inflation. After listing to Mr Volcker expressing the view thatthe dollar did not need to fall any further, Mr Martin wasted no time in letting Washington know that he did not agree.

But it was Mr Baker's judgment that a further orderly decline in the dollar was not undesirable, presented at the same time as Mr Volcker was saying he was worried that the decline might be approaching a "danger zone" that caught the attention of the foreign exchange markets.

Both men denied that there was any fundamental disagreement between them, denials that signal a policy debate, rather than a confrontation, at least at this stage.

In the privacy of his own office, Wall Street suspects, Mr Volcker would not mind if the dollar did fall further, in a steady way. Mr Baker has made it abundantly clear that, like Mr Volcker, he does not want a disorderly free fall.

But within the area of agreement, it is easy to trace some significant differences of opinion. Mr Volcker, a central banker who has endured too many currency crises over his lifetime, is evidently uneasy about the pace of the dollar's decline since February last year.

He seems reluctant to trust too much in the bonus of falling oil prices, not least because it is not yet clear at what level they will settle. He is worried about confidence in the US currency at a time when the US must rely on foreigners for billions of dollars of savings, and is thought to be anxious about the price the country may have to pay for the dollar's decline in terms of inflation.

Some of Mr Baker's top advisers do not however share Mr Volcker's fears about the danger that the dollar could overshoot downwards and make it increasingly expensive to attract foreign capital. There is also an argument that the good fortune of the oil price decline ought to be exploited quickly, to get the dollar and interest rates lower because circumstances may not be so favourable in a few months' time.

Mr Baker himself has been much less explicit than Mr Volcker about why he feels the need to, as foreign exchange traders see it, "talk the dollar down." Political calculations must play a part, Wall Street believes. Since Mr Baker put his name to a major change in US economic policy—the commitment made at the meeting of the Group of Five in New York last September to get the dollar down—he must be anxious to see some result from the change, such as the beginnings of an improvement in the US trade deficit.

Wall Street for its part is buoyed by a bond market rally which has taken interest rates on 30-year bonds close to levels on overnight interbank money and by reports that West Germany and Japan could lower interest rates.

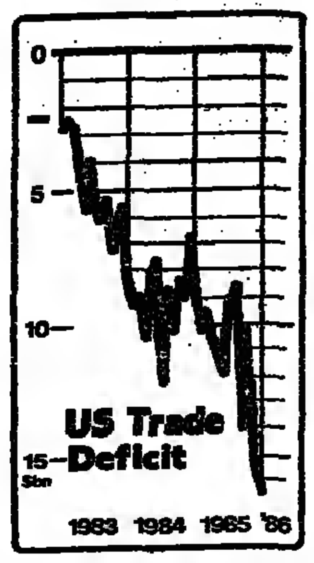
It is anticipating a cut in the Fed's 7½ per cent discount rate. According to Dr William Griggs, an economist with Griggs and Santow in New York, such a cut might now help to stabilise the dollar by damping down speculation in the markets about likely Fed moves.

It must however be worrying for both Mr Baker and Mr Volcker that the trade deficit may not respond quickly to the dollars' decline. Mr Milton Hudson, head of the economics department at Morgan Guaranty Trust points to the record monthly trade deficit reveeled for January as a discouraging reminder.

In the 1970s, he says, imports into the US continued to rise sharply even though the dollar was declining. There are fears that many of America's once huge agricultural export markets are now lost and new industrial competitors have grown in the past decade.

A declining dollar will not, it is argued, help US exports in countries such as Mexico, South Korea or Taiwan, whose currencies are either falling against the dollar or pegged to the US currency.

Concern is growing that the US may now be running a chronic trade as well as budget deficit. The thought that the trade deficit will be much harder to correct than has been widely assumed, and the opportunity this would present to the Democrats, who are already making the issue their own, cannot be a happy one for the Reagan Administration.



Such a prospect leads quickly to the argument that the dollar does indeed have further to fall, and the sooner the better, if any politically meaningful improvement in the trade figures is to be seen. It may already be too late to affect the November elections.

The Administration officials may therefore decide to play down the inflationary possibilities of a decline in the dollar, feeling that a little more risk is worth taking. This is where Mr Volcker and the Reagan Administration would indeed part company.

G24 keeps up debt momentum

BY JIMMY BURNS IN BUENOS AIRES

THE GROUP of 24 — the developing nations' main voice on economic issues for the international financial community — is meeting here this week to reiterate its demands for new approaches to the debt issue and for an increase in the transfer of resources from the industrialised to the Third World.

The meeting was originally called by the chairman of the group's committee, Mr Juan Sourrouille, the Argentine Economy Minister at last October's annual meeting of the International Monetary Fund and the World Bank in Seoul.

Mr Sourrouille said then that African, Latin American, and Asian countries wanted to assess the initiative by James Baker, US Treasury Secretary, for dealing with Third World debt prior to next month's meeting of the IMF's policy-making Interim Committee.

Some developing countries have already given a cautious welcome to the plan's shift in the emphasis of policy-making away from adjustment and towards growth and economic recovery.

But the Group of 24's hosts are anxious to keep up the momentum on the debt issue.

Argentina's call for below market rates on bank loans have been left in limbo as a result of the inconclusive meeting last weekend of the Cartagena group of Latin American debtors and by the continuing uncertainty over Mexico's position.

But the Group of 24 appears to be broadly in favour of taking a stronger line on its questioning of IMF conditionality, on the proportion of export earnings that should be spent on debt service payments, and on the current level of multilateral and commercial lending.

Argentine officials claim that the meeting in Buenos Aires—the first to be held outside Washington and separate from the IMF and the World Bank since the group's formation in the early 1970s — underlines the Third World's growing consensus around the debt issue and its acceptance of Argentina's protagonist role.

Brazil inflation package welcomed by investors

BY ANN CHARTERS IN SAO PAULO

THE SWEEPING anti-inflation package introduced last Friday by President Jose Sarney was yesterday given an enthusiastic reception by Brazilian investors in the country's stock exchanges.

In Sao Paulo, Brazil's largest stock exchange, hectic trading as the markets opened for the first time since last Friday pushed the index up to record levels.

Brokers bad projected trading at around Cr 1bn (£51m) before the opening but turnover reached nearly Cr 1.5bn as the Bovespa index closed 22.6 points up on the day.

The main attraction for investors in the stock market came from the Government's decision to end the all-embracing policy of indexation which helped perpetuate inflation.

The indexation system distorted investment in favour of government bonds, whose values were adjusted monthly according to a consumer price index.

Monetary correction has been eliminated on all but passbook savings. With the prospect of tough measures in force to combat inflation, honds as a hedge lose some of their attraction.

Investors alos reacted to the adjustment in the currency and the determined effort to close the gap between the official and parallel rate of the cruzeiro,

WORLD TRADE NEWS

British investment in Canada soars

By Frank Gray

BRITISH INVESTMENT in Canada soared to C$1bn (£488m) last year compared with S$290m the year before, an investment seminar was told yesterday.

Mr Paul Labbe, president of Investment Canada, the Government agency, said the sudden surge —a 245 per cent increase —indicated that Canada's new liberalised investment policy was beginning to bave e positive effect.

Last year marked the first year for the implamantation of the Investment Canada Act, introduced in late 1984 by the Conservative Government of Mr Brian Mulroney, and it supplanted the mucb *criticised* Foreign Investment Review Agency (Fira) introduced in tha 1970s by the former Trudeau Government.

In 1984, Mr Labbe said, some 800 potential investments were examined under FIRA's "significant investment" clause. A number of the proposals were refused.

Under the new legislation no investments have been turned down and scrutiny of proposed investment has been greatly streamlined. Only 8 per cent of tha deals proposed in 1984 would bave been examined under the Investment Canada Act last year, said Mr Labbe.

ICI signs deal on pesticides with Hungary

ICI, the British chemical company, has signed an agreement with three Hungarian companies jointly to develop a pesticide, and to market it world-wide, **Nick Thorpe reports from Budapest.**

Under the agreement, Neviki, a chemical research institute will monitor the biological efficiency and toxicology of the weedkiller for sunflower cultivation. Another Hungarian company, Peremarton, will make part of the product for completion in the UK, while Chemolimpex, the national chemicals trading organisation, will market it in Eastern Europe, where sunflower seed and oil is widely produced.

ICI also won a Hungarian award last week for the success ful development of "direct drilling" of maize and wheat

A Japanese group heads for a new adventure, **John Griffiths** writes

Daihatsu sets sights on Europe

DAIHATSU intends to double its European car, light van and four-wheel-drive vehicle sales to 100,000 units a year by 1990 and is seeking a joint venture partner to establish production capacity in Europe.

An initial feasibility study into European production has been under way for 11 months. So far, however, there have been no formal approaches to potential partners, said Mr Yogi Shibaike, formerly head of Daihatsu's European sales operation in Brussels, now based in Osaka with Daihatsu's overseas marketing section.

Daihatsu, part of the Toyota group and specialising in small cars and four-wheel-drive vehicles, considers an output level of 50,000-100,000 vehicles a year to be feasible within Europe under a joint venture.

However, these volumes are insufficient to warrant a greenfield site approach, Mr Shibaike, who has been investigating the prospects for a European partnership, added.

Daihatsu is one of Japan's smallest vehicle makers, selling 690,000 vehicles world-wide in 1985 and with 760,000 forecast in the current year.

It is also the oldest Japanese vehicla producer—celebrating its 80th anniversary next year —and is in soma ways its most adventurous.

It was tha first Japanese company to set up vehicle assembly in China—of light vans—and this year expects to add its one-litre Charade car through a technology-transfer deal with Tinjin Automotive Industry.

It already has one collaboration deal in Europe, under which it supplies engines and transmissions to De Tomaso of Italy, for use in the Innocenti Mini, units previously supplied by BL of the UK.

"It was our only way of getting into the French and Italian markets," both of which have unilateral, virtually complete bans on Japanese car imports, Mr Shibaike went on.

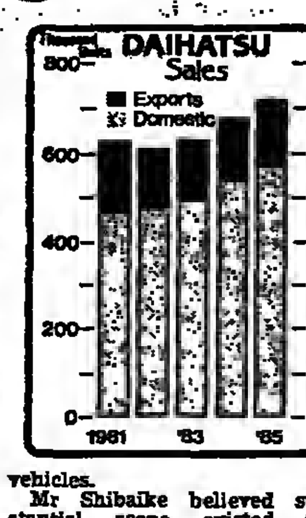
The Innocenti venture, however, would bave been predated by several years, had Daihatsu decided to proceed with an earlier venture which would have made it the first Japanese producer to set up in Europe, in 1980.

Mr Shibaike disclosed that Daihatsu seriously considered taking over the assembly plant closed by Austin Rover at that time in Ghent, Belgium.

Daihatsu's annual European sales then, et 25,000, were considered to be at too low a level to proceed bowever, Mr Shibaike said.

But the company is now committed to strengthening its European dealer networks and this year is embarking on a campaign to acquire "a firm, pan-European image."

The strategy will focus beavily on pointing out that Daihatsu is a "different" producer with particular strengths in tha fuel economy of its Charade small hatchback range —whicb includes a one-litre diesel, the world's smallest—and its four-wheel-drive "Four-Track" leisure and ntility vehicles.



Mr Shibaike believed substantial scope existed for increasing its network *size* through dual franchises, on the basis that Daihatsu's specialised model range could be sold turers' product without con alongside European mannfacturers' products without conflict.

Daihatsu already imports into 21 countries in Europe, including Hungary—where it is the market leader in a small market for non-Comecon cars of about 1,000 units a year. In Poland it accounted for 1,200 of the 3,500 non-Comecon units sold.

It is now looking at prospects in the Czech and Yugoslavian markets, Mr Shibaike said.

The East European involvement *has* taken it into *some* unusual deals as a result of counter-trading requirements. Perhaps the most bizarre, Mr Shibaike recalled, was his arrangement to take parties of retiring Japanese workers to *Hungary, instead of their* traditional reward of a vacation in places like Hawaii — "that let me sell 40 more cars."

The pressures now being exerted by Japan's Ministry of Trade and Industry on Japanese car makers to buy more from Europe has led to some unusual deals as well.

Japan's Ministry of Trade and Industry (Miti) told Daihatsu to buy Y1.1bn (£3.3m)-worth of European goods last year.

So it bought carpets in bulk from Austria, trim parts from Italy—but by year's end bad still underspent by Y600m, so imported 600 tons of aluminium *ingots from Finland — after* seriously considering buge pur chases of tulips from Holland to present to all Europe's Daihatsu buyers.

This year, it bas been told to spend Y1.3bn. Mr Shibaike discounted the viability of manufactured components sucb as clutches, but says there are "good prospects" for European producers to supply items like plastics, bumpers and wheel trims.

Meanwhile, Mr Shibaike rovided no firm indication of wbera Daihatsu might finally settla for a joint production venture. Ha ruled out the UK, but suggested that Spain, given *its recent* accession to the EEC, could well be a candidate.

EEC refuses to help HK on textile access

BY PAUL CHEESERIGHT IN BRUSSELS

HONG KONG, the second largest supplier of textiles to the European Community, yesterday failed to win undertakings of easier access to the market under the next Multi-Fibre Agreement.

Mr Eric Ho, the Hong Kong Secretary for Trade and Industry, yesterday saw Mr Willy de Clercq, the Community's commissioner for external relations, in the latest of e long series of bids to win a higher quota for textile supplies.

His visit was timed as preparations for the definition of a Community position on the Multi-fibre Arrangement move into their final phase.

In response to Mr Ho's request for giving back to Hong Kong the quota that had been given up in previous bilateral arrangements, Mr de Clercq cited difficulties in the Community.

The EEC was generally against any further cutbacks in quotas, but even this caused difficulties among some of the 12, be said.

Mr de Clercq told Mr Ho the *Community is trying to* differentiate between the large suppliers—like Hong Kong—and the smaller developing countries, so that the quota for the larger would be beld while that for the smaller would be enlarged.

China launches attack on US protectionism

BY ROBERT THOMSON IN PEKING

THE CHINESE Government used the opening of a conference of textile-exporting countries to attack US protectionism, which it says threatens the stability of the world economy.

About 120 representatives of developing countries and international organisations have gathered in Peking in an ettempt to formulata a coordinated approach for forthcoming talks on the future of the Multi-Fibre Arrangement, (MFA) wbicb runs out in July.

Zheng Tuobin, China's Minister of Foreign Economic Relations and Trade, condemned trade restrictions by developed countries which, ha said, restricted the flow of textiles from developing countries while not restricting commodities from other developed countries.

Mr Zheng said the US is the "most serious example" of this discrimination. One delegate said China, a recent addition to the MFA, is one of the few countriea sble to talk tougb to the US and match the rhetoric with tough trade restrictions.

The delegate said China's presence had shifted the balance of power in the developing countries group, though its policies are generally hased on self-interest

Loan deal clinches Indian Airbus sale

By Christian Tyler Trade Editor

THE SALE of six European Airbuses to India's state airline, Air-India, was clinched with the signing in London yesterday of a $393m loan agreement.

Air-India is paying just over $51m each for the airliners, and the rest of the nearly $500m deal incindes spare engines and other parts.

Foreign credits for the sale, arranged by Barclays Bank—its first Airbus financing—come in three parts.

An export credit of $220m has been underwritten by the official agencies of Britain, France and West Germany, at fixed rates of interest in line with international agreements on aircraft financing, over 10 years.

Air-India will be repaying the sterling loan—20 per cent of the total — at 12.05 per cent, the French franc loan at 11.65 per cent and the Deutschemark component at 7.9 per cent. The latter two countries account for 40 per cent each of the export credit.

A Eurodollar loan of $173m has also been arranged at 1/40 per cent over London interbank offered rate (libor) repayable over 10 years with four year's grace period.

Air-India said this could be "the best rate that any borrower in the recent past in India and Asia has obtained." It was *testimony* to *India's* good credit rating and an endorsement of the country's economic policies, said Mr C. L. Sharma, the deputy managing director.

The third component is $50m worth of yen credit at the low rate of 6.7 per cent.

The remaining $40m cost of the deal will be paid in rupees.

The airline is taking delivery of the six A310-300 aircraft this year to replace five Boeing 707s. The aircraft are a smaller, longer-range, model than the three Airbuses already in the fleet.

***Captain D. Bose, managing* director, said the airline was looking for three more aircraft over the next five years but was still playing the field.**

The contract for this latest purchase was signed last April.

US-Japan talks to 'set precedent' for high-tech disputes

BY NANCY DUNNE IN WASHINGTON

THE REAGAN Administration's efforts to assist the US semiconductor industry in negotiations with Japan will eet a precedent for American handling of other high technology trade disputes in Western Europe and elsewhere, according to Mr Clayton Yeutter, tha US Trade Representative.

Two main points of contention in the talks bave been ways to increase exports to Japan by US semiconductor makers end to prevent dumping of Japanese semiconductors.

Meeting with a small group of journalists yesterday, Mr Yeutter said existing US trade remediee for dumping and subsidy complaints do not function well wben a new generation of equipment can be introduced while trade cases ara still being considered. If the US is to maintain its high technology edge, it must develop "creative and imaginative" solutions to overcome this.

US and Japanese trade officials ara talking about semiconductors this week in Tokyo, and Mr Yeuller said progress would be assessed et the end of the week with an eye to getting agreement before Prime Minister Nakasone's visit here in April. He speculated that Japanese officials would be more accommodating before May's economic summit in Tokyo so that progress would not be sabotaged by trade disputes.

On the European front, Mr Yeutter said he expects talks to begin "relatively soon" with the UK, France and Germany about the sale and prices practices of Airbus. "It's time we sat down and discussed just bow the Airbus consortium is functioning."

Thera is no actual avidence, Yeutter said that Airbus *has* committed practices which violale "the spirit of Gatt" on obtaining contracts. However, be is interested in future plans for Airbus considering that no profit "has emerged after all these years."

Mr Yeutter is optimistic about the progress of talks for a new Gett round. Soma issues will probably bave to be settled in tha ministerial talks in September, be said, such as "three or four" service sectors to be inclnded in talks, investment rules, and investment of intellectual property rights.

The Administration will not seek congressional anthorisation to negotiate this year, ha said, for fear that Congress will take the opportunity to add protectionist measures on to the legislation. The Administration also has some worries about the trade issue in the November elections, but Mr Yeutter hopes that by then, the effacts of the weaker dollar will have had aome impact.

Commission rejects US pressure for soya pact

BY IVO DAWNAY IN BRUSSELS

THE EEC Commission has politely but firmly rejected growing pressure from Washington to negotiate a special trada agreement compensating US soya and grains producers for *salee* lost due to the accession of Spain and Portugal to the Community.

Changes in tariff arrangements for farm produce came into force in the Iberian *countries* on March 1, and the US fears that a substantial portion of its $1bn (£914m) a year vegetable oils and cereala salea will be lost.

This week Dr Clayton Yeutter, the US trade representative, asked Mr Willy de Clercq, the EEC's External Trade Commissioner, to agree to special talks on the issue. US trade officials warned that failure to respond could provoke retaliation.

But Mr De Clercq insisted that the farm trade aspects of the enlargement process could not be separated from other commercial problems

A European Commission spokesman said yesterday that when other factors—the reduction of tariffs on industrial goods, for example—were taken into account, the US could be seen to gain an advantage of as much as five-to-one from Spanish and Portuguese accession to the EEC.

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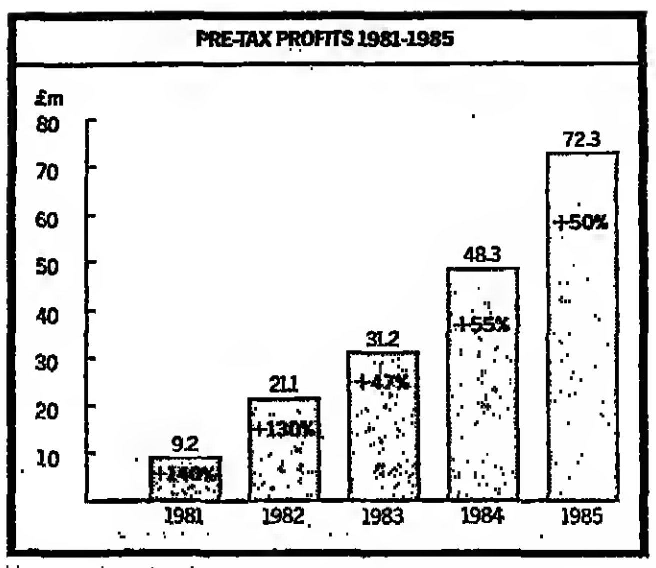
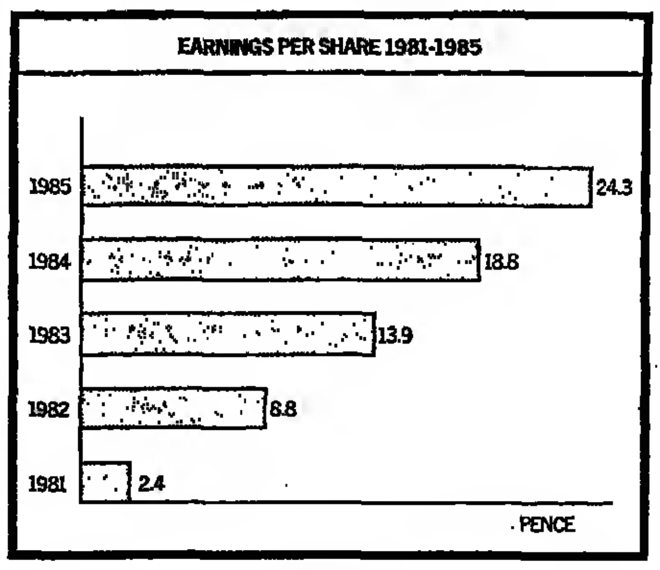
FI50%NS UP.

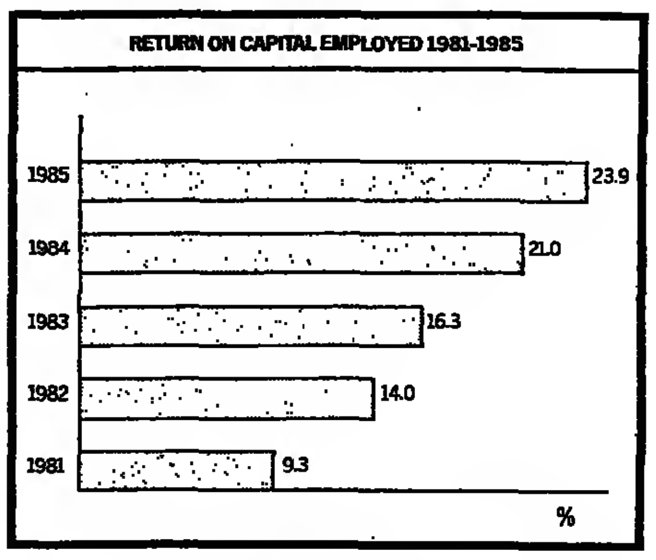
Fisons preliminary results for 1985 show record pre-tax profits of £72.3 million, up 50% on 1984. This represents the fifth successive year of major achievement. During the period profits have grown from £3.8 million in 1980 to their current high.

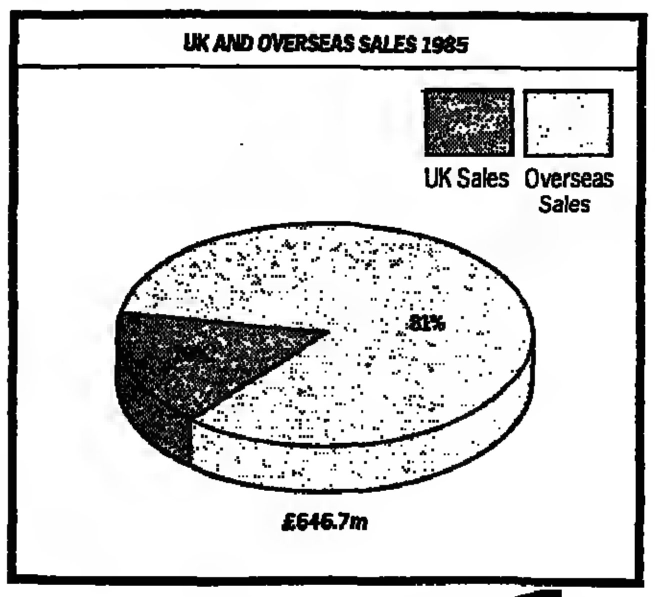
The growth in profits was accompanied by continued improvement in quality of earnings. Return on capital employed at 23.9% was up on 1984, whilst earnings per share rose from 18.8p to 24.3p.

From a market capitalization of £41 million in 1981, Fisons is now valued at over £1 billion. Given the strength of the growth in Group profits, the Board is recommending a final dividend of 3.34p net per ordinary share, making 5.5p net for the full year: a 22% increase on 1984.









Fisons Formula for Success.

These excellent results reflect careful long-term planning and rigorous follow-through. At the beginning of the decade, Fisons management team implemented a corporate strategy which has restructured and refocussed the Company.

This strategy was based on the following criteria.

1. *To operate only in inherently attractive industries with a long-term growth and profit potential.*
2. *To operate only in industries where Fisons would be a highly effective competitor.*
3. *To establish a high quality and well motivated management team to ensure efficient implementation.*

The success of our strategy is evident from the record results produced by all three of our Divisions, each of which has achieved an all-time high in both sales and profits.

Pharmaceutical Division.

The Pharmaceutical Division has maintained its position as the leading earner in the Group with sales of £220.8 million (up from £198.5 million in 1984) and a record profit of £39 million, which represents a 25% increase.

The Division's performance in North America is particularly impressive: sales increasing by over 40%.

Applications for the registration of nedocromil sodium were made in a number of European countries; whilst it is premature to make predictions of success until regulatory approvals are obtained, the clinical trials of this product look most encouraging.

Scientific Equipment.

The Scientific Equipment Division is now contributing more than ever to Group performance. Both sales at £358.2 million and profits at £19.2 million are records.

Over the past 5 years Fisons has been the fastest growing major supplier of scientific laboratory equipment in the world.

Horticulture Division.

Fisons horticultural activities have returned profits of £8.7 million in 1985, 50% higher than in 1984, on a 7% increase in sales.

This strong performance can be attributed to both the UK and the North American market, where our overall development continues to be impressive.

Major International Group.

Throughout the 1980's the growth of each of our three divisions has been backed by capital investment and augmented by selective acquisitions around the world.

Fisons is now established as a major international company, with over 80% of sales made overseas.

The Future.

It is Fisons intention to maintain its highly successful strategy in the second half of this decade.

From a sound business base we can now look to the future with even greater confidence than ever.

FISONS

THE RESULTS FOR THE YEAR ENDED 31.12.84 ARE ABRIDGED FROM THE FULL AUDITED ACCOUNTS FOR THAT YEAR AND HAVE BEEN FILED WITH THE REGISTRAR OF COMPANIES.

Howe calls for greater European co-operation

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

SIR GEOFFREY HOWE, the Foreign and Commonwealth Secretary, yesterday appealed for greater efforts by European companies to co-operate with each other, despite their frequent preference for seeking partners outside Europe.

"Europe lacks the singleness of purpose of the American superpower or the bomogeneity of the consensus-driven people of Japan," Sir Geoffrey said in a speech on Europe's industrial future to Britain's Institute of Directors.

A European company which secured enough of its national market to bring it into the global competitive league was liable to be hauled before its national competition authority, he said. "It is not surprising that there are so few European companies that can match the size and effectiveness of their American and Japanese competitors. The surprising thing is that there are so many."

Sir Geoffrey appeared to have the recent Westland/Sikorsky and current General Motors/BL affairs in mind when he said that European companies were understandably looking for American and Japanese knowhow.

In the past European companies had sometimes found it awkward to co-operate with counterparts which were their traditional competitors, the Foreign Secretary said.

More recently, there were signs that this attitude was changing. There was a growing belief among European companies that partnership might, after all, be easier among companies of similar size, with similar problems and an increasingly common political and institutional background.

"This is increasingly the effect of adding the European dimension to our commercial thinking and it is entirely welcome," Sir Geoffrey said.

Though, in the last resort, it was the entrepreneurs and consumers who would determine wbat companies would decide, European governments could modify the institutional framework. They should think imaginatively about changes to national and European Community competition policy and about the elimination of fiscal and legal obstacles to the creation of transnational European companies and joint ventures.

Governments could look critically at the economic value of expenditure on military research and development and should be ready for the politically difficult step of opening their public procurement to "genuine European tender."

"Governments can play their part in an enterprise culture, not hy trying to pick winners for industry, but in showing that that they understand problems and creating an environment where the good ideas of businessmen offer good, European-scale rewards."

Sir Geoffrey said that he did not believe that a narrow defensive nationalism was the answer to any of Britain's current industrial problems. Britain should, of course, welcome the presence of the most advanced US and Japanese companies on its soil.

But these companies had flourished in a competitive climate. "There is nothing disreputable or xenophobic about seeking to ensure that British and European industry are worthy competitors for the Japanese and Americans."

Sir Geoffrey called for a removal of the remaining non-tariff barriers in the European Community, which prevented companies from treating it as a single market of 315m people and where frontier controls alone cost the Europeans as much as $7bn a year.

He said that the member governments were acting more directly to attack the problem of the Community's fragmented and inadequate research and development base.

Eureka, in which Britain was playing the leading management role, aimed to encourage companies to get together to develop competitive and innovative products for the market.

ULSTER COUNTS THE COST OF ITS DAY OF PROTEST

Unionists hint at resumed talks

BY HUGH CARNEGY IN BELFAST

NORTHERN IRELAND'S two Unionist leaders, shaken hy the way Monday's day of protest against the Anglo-Irish agreement lurched out of control, yesterday sought to distance themselves from the violence and regain the political initiative in the province.

A joint statement by Mr James Molyneaux and the Rev Ian Paisley, leaders of the two main parties which support union with Britain, said they did not support or condone looting, shooting, violence and intimidation by what they called fringe elements.

They said such actions detracted from the success of the protest which otherwise was mainly peaceful and voluntary. They would continue to withdraw Unionist consent from Government and were seeking ways to give this further practical effect.

The statement ended with an appeal to Mrs Margaret Thatcher, Prime Minister, to "re-open the door to political progress" which contained a hint of a willingness to resume the talks with her that foundered last week.

"The Prime Minister holds the key to unlocking that door by freezing the agreement or using some other mechanism which produces the same result so that the round table negotiations can get under way," the leaders said.

The statement was issued in place of a planned press conference by the two men which was cancelled in an apparent sign of uncertainty over the implications of Monday's violence for the Unionist campaign against the agreement, which gives Dublin a say in the affairs of Ulster.

Since the accord was signed last November, protest actions have steadily escalated in violence. There are strong fears in Belfast that worse will follow, with paramilitaries playing an increasing role, unless constitutional politicians can come up with something quickly.

Mr Harold McCusker, deputy leader of the Official Unionist Party, said on Monday: "We took a calculated risk. It could be alleged that it backfired on us."

Mr Molyneaux and Mr Paisley said further strikes were not planned.

The Royal Ulster Constabulary (RUC) said yesterday that 47 policemen were injured. More than 35 shots were fired at the RUC and 57 arrests were made. Police received 237 reports of intimidation and 329 reports of damage to property.

Some 670 roadblocks were erected by Loyalists around the province, a third of which were not cleared by the security forces. Police used video cameras to help note vehicle numbers and identify troublemakers. About 180 people had been earmarked for questioning and charges could be brought against them.

The RUC added that there had been 132 complaints of police inaction at trouble spots

Police were spread thinly on the ground and were forced to concentrate on keeping priority routes open.

In Duhlin, the Irish Cabinet discussed the day of action and said afterwards it was determined to press on with the agreement and urged unionists to work towards devolution in the north. Privately, there was concern over the complaints about police inaction.

The Confederation of British Industry (CBI) in Northern Ireland said the strike bad "devastated" industrial production in much of the province, although a number of factories in Catholic areas had worked near normally.

A spokeswoman said most companies could make up for the lost production but the CBI feared the long-term effect on foreign investment in the province

The manager of one small engineering company in Portadown, where there was almost a total shutdown of factories, said two of his multinational customers had asked him to transfer production of their orders to his subsidiary plant in the Repuhlic

Harland and Wolff and Short Brothers said less than 15 per cent of their staff had turned up to work on Monday, most of them white-collar workers. Production at both companies was halted. Shorts said the day had cost it about £1m in lost production, hut, with its reliance on defence contracts and US orders, the biggest worry was the effect on customer confidence.

Production problems disrupt launch of Shah newspaper

BY RAYMOND SNODDY

THE STAFF of Today, UK's latest national newspaper, is boping for a less troubled print run for its second issue today.

Copies of the colour tabloid published by Mr Eddie Shah were unavailable in some parts of England and Wales yesterday. In others the paper was in short supply and thousands of potential customers, encouraged by television advertising to look for the paper, bad to go without.

Today said 1.1m copies bad been printed, several bundred thousand fewer than planned.

W. H. Smith, which is distributing the paper to about balf the country, said yesterday that despite production problems "we feel they have done quite a good job for the first issue. The paper is certainly selling."

The launch of Today was plagued by difficulties in coping with the electronic newsroom equipment. Some journalists said yesterday the main problem was lack of familiarity with the electronic equipment – something that sbould come rigbt in time.

"We need more people and more experience with the machines," said one.

There was also trouble transmitting a photograpb of the Queen, which bad arrived from Australia to one of Today's three printing centres at Poyle near Heathrow airport, London.

The fact that printing began 90 minutes late affected the distribution system. Matters were made worse by a hreakdown at the paper's Manchester printing plant. W. H. Smith said there were delays and shortages in most of their areas.

In the north-east of England supplies arriving at wholesale distribution bouses were up to six hours late and more than three hours late on average.

Reaction to the paper was mixed with complaints that Today looked more like a provincial tabloid than a national newspaper.

Mr Roger Bowes, chief executive of Express Newspapers, a paper with the most to fear from Today, said yesterday he viewed Today as a rival to be taken seriously. However, he found the first issue disappointing and flat.

"It looks just like a free sheet," he said. The four-page colour section which The Star was running every day was better quality.

Helen Hague writes: Mr Robert Maxwell, the publisher of several UK titles, yesterday announced plans to sbed more than 300 jobs at the Daily Record and Sunday Mail, his two Scottish newspapers. He also set a 17-day deadline for unions to agree to the cuts.

Plans to print a new Irish edition of the Daily Mirror on Daily Record presses to counter the circulation drive of the Sun newspaper, launched by News International, have been abandoned.

Announcing the 30 per cent job cut package, Mr Maxwell blamed union failure to reach agreement on new working practices.

Journalists at the papers accused Mr Maxwell of manufacturing a dispute over the Irish edition of the Mirror as an excuse to provoke confrontation and pave the way for redundancies.

The publisher also plans to form two new companies to take over the running of the two titles. In doing so, he will split the printing and publishing functions of his Scottish titles – a move which he has already carried out at Mirror Group Newspapers.

On Monday Mr Maxwell failed to win a High Court injunction ordering the NUJ and Sogat '82 to lift their "blacking" order on the proposed Irish colour edition he wanted to produce from Glasgow. The workforce has continued to work to contract and carry out their normal duties.

Norton Opax bids for McCorquodale

BY DAVID GOODHART

NORTON OPAX, the fast-growing and acquisitive printing and publishing group, yesterday lodged a £110m hid for McCorquodale, the printing and packaging group more than twice its size in terms of sales.

The hid was accompanied by a stinging attack on McCorquodale's recent performance and its accounting policies, and also by a Norton profit forecast of £5m (for the year to March 31) an increase of 127 per cent on last year.

The smaller size of the bidding company, although an increasingly common feature of recent hids, was emphasised hy Mr John Wood, McCorquodale chief executive, who said "it smacked of cheekiness" while formally rejecting it as "unsolicited and unwelcome."

Nevertheless, Norton Opax's aggressive new management team beaded hy Mr Richard Hanwell, the chief executive, has, since 1982, increased turnover from £6.7m to close to £70m this year, and pre-tax profits from £140,000 to near £5m. In the year to September 30 1985 McCorquodale recorded profits of £10.2m on turnover of £160.2m.

Although most of Norton Opax growth has come through acquisition – most notably Sir Joseph Causton and Sons – and the number of shares in issue has increased from 5.8m in 1982 to 31m today, Mr Hanwell said that one-third of growth had been organic.

The hid may face some difficulties with the Office of Fair Trading as a joint company would have a 45 per cent share of the UK cheque printing industry and 40 per cent of the lottery ticket market. Norton Opax is, however, confident that it will not be a prohlem.

The offer of 24 new Norton Opax ordinary shares and even new convertible preference shares for every 20 McCorquodale sbares (with a cash alternative of 191p) values eacb McCorquodale share at 210p, and will thus prohably bave to be improved if the hid is to be successful. McCorquodale closed 12p up at 222p, while Norton Opax fell 2p to 143p.

Government faces two more by-elections

THE GOVERNMENT faces two more by-elections in Conservative-held seats with the death of Mr John Spence and the decision of Mr Matthew Parris to leave parliament for a career in television.

Mr Spence represented Ryedale in North Yorkshire and Mr Parris Derhyshire West. Though both constituencies were considered Conservative strongholds, the Social Democrat/Liberal Alliance could be in a position to make a determined challenge at the by-elections. A third hy-election is also pending in Fulham, west London.

Mr Spence, who died in York after heart trouble, had a majority at the last general election of 16,142 with 59.2 per cent of the poll. The Liberals bad 30.5 per cent and Labour 10.3 per cent. Mr Parris, who says he will be giving up his seat "as quickly as possihle" bad a 15,325 majority, taking 55.9 per cent of the poll, with the Liberals on 27 per cent and Labour on 17.1 per cent.

□ ROLLS-ROYCE has won a contract worth more than £22m to supply RB-211-535 jet engines for two Boeing 757 twin-engined airliners ordered by Royal Nepal Airlines.

The aircraft are due for delivery in September 1987 and in 1988, with a third aircraft on option for delivery in September 1991. Royal Nepal is the eighth airline to buy the RB-211-535 in the 757 aircraft.

□ MR CHRISTOPHER TUGENDHAT, 49, a former EEC Commissioner and writer on the Financial Times, is to become the next chairman of the Civil Aviation Authority, succeeding Sir John Dent who retires this summer.

Mr Tugendhat will take over the chairmanship of the CAA on June 1 but is joining the authority immediately. He will have a five-year term of office. He was with the FT from 1960 to 1970 and then became a Conservative MP. He was appointed a Euro Commissioner in 1977, later becoming a vice-president of the Commission.

□ JUDGMENT WAS reserved in the High Court yesterday on the claim by Williams and Humbert, an English subsidiary of the expropriated Spanisb Rumasa group, for a ruling that the trade marks for Dry Sack sherry were wrongly transferred from it to a Channel Islands company controlled by Rumasa's founder, Mr José Maria Ruiz Mateos.

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Unions draw lessons from miners' strike

"WE HAVE been through a hell of a hard time," said one senior Trades Union Congress (TUC) leader. "I keep thinking when do we get back to normal? But then I think this is normal now." A hard time the TUC and the unions have had of it in the 12 months since the miners marched back to work a year ago today, **writes Philip Bassett, Labour Editor.**

During the strike there were prophecies of the imminent demise of the trade unions. If the miners went down, who else could resist?

News International's dispute at Wapping, east London, over the transfer of the group's national newspapers from central London to the new high technology plant and the dismissal without compensation of over 5,000 workers seems to confirm that view. After the steelworkers, the railwaymen and the miners, Fleet Street printers were one of the few powerful groups left to tackle.

The cataclysm, however, which the miners' strike seemed to hold out as an inevitable result of its own failure hasn't occurred. "It's understandable why that attitude should have been taken," said Mr Norman Willis, TUC general secretary, "but I certainly don't think it has happened."

The TUC rejects the idea that the outcome of the strike has forced the unions into two camps – the insurgent, revolutionary class-based challenge of Mr Arthur Scargill, the miners' leader or the market-based, non-militant, pragmatic co-operation of Mr Eric Hammond, leader of the electricians' union, the EETPU.

On government money for ballots, on single-union deals, on Wapping, on strike-free arrangements, the EETPU has in the wake of the miners' strike remapped the union ground. Much of the thrust of trade unionism since the strike has come from the electricians.

The miners' lack of a ballot was crucial not to legitimise a strike but to show it was supportable, let alone sustainable. A ballot is now first base for a union leadership planning action.

Even losing a ballot can be valuable. Both Mr Jimmy Knapp of the National Union of Railwaymen and Mr Tony Dubbins of the National Graphical Association were seen to have increased the standing of themselves and their unions when, ballots lost, they acknowledged the result and stuck by it.

Unemployment has been a factor. The size and influence of unions has been reduced, forcing leaders to communicate more with members, and represent them more closely. After some years of flabbiness, representation has become unions' dominant theme.

Since the miners' dispute, the focus has not been the strike. Instead, the focus is on the form of the campaign – winning first the members' hearts and minds, and from and through them, those of the public.

That is very much the line of the print unions in the Wapping dispute. Its outcome may well prove how valid a technique it is for other unions to deploy.

THE SACKING of 5,500 print workers employed by Mr Rupert Murdoch's News International newspaper group was "an act of savagery unparallelled in British industrial relations," the House of Commons has been told, writes Kevin Brown.

Mr Ron Leighton (Labour) accused Mr Murdoch, publisher of The Times, the Sun, The Sunday Times and News of the World, of "exploiting, twisting and manipulating" industrial relations law.

The sacked print workers, members of the craft unions Sogat '82 and the National Graphical Association, had been deliberately provoked into striking so they could be sacked without redundancy pay, he said.

They were the victims of a carefully-laid plot to deprive them of their living and transfer publication of the News International titles from Fleet Street to Mr Murdoch's fortified printing plant in Wapping, east London.

Mr Leighton, a Sogat-sponsored MP and former News of the World printer, said the Government should make clear whether the right to strike still existed in circumstances where workers could be dismissed without compensation while taking industrial action.

Consultant pulls out of Star Wars tour of companies

BY PETER MARSH

MR CLARENCE "Robbie" Robinson, a consultant visiting Europe on a Pentagon-sponsored study to look at technology-transfer issues related to the Strategic Defence Initiative, returned to Washington yesterday, abandoning a planned tour of UK companies and leaving behind a trail of confusion.

Mr Robinson had been leading a team of consultants visiting European companies interested in participation in the $26bn SDI programme, also known as Star Wars. One of his briefs was to investigate technologies that might have to be classified to stop sensitive ideas transferring to the Soviets.

After visiting companies in France, West Germany and other countries in continental Europe, Mr Robinson had been due to start a four-day tour of Britain on Monday.

Details of his visit had, however, led to fears that British companies collaborating in the programme might have to be subjected to security procedures that would impede commercialisation of technologies related to Star Wars.

It appears that due to the publicity – and a flurry of telegrams between London and Washington in which the UK Government requested further details of the proposed visit to Britain – Mr Robinson was hurriedly recalled to the US.

Mr Robinson was formerly a journalist specialising in coverage of Star Wars technologies for Aviation Week and Space Technology, a respected US weekly magazine. He had been due to stay at a London hotel from Monday night until tomorrow. The hotel said yesterday that Mr Robinson had not turned up and had cancelled his reservation.

Mr Robinson is based in Washington, where he runs a consulting company called Leading Technologies. His office said yesterday that Mr Robinson was not expected home until Friday.

Col Thomas O'Connor, the Pentagon's acting assistant deputy under secretary for defence in charge of technology transfer, said yesterday: "Everything has been completed and he (Mr Robinson) is coming back." Col O'Connor said he did not want to discuss details of Mr Robinson's itinerary.

Mr Robinson is due to report on the results of the tour to the Institute of Defence Analaysis, a company in Alexandria, Virginia, which is working for Col O'Connor. A second company, BK Dynamics of Rockville, Maryland, is also involved in the study for the Pentagon.

More UK news on Page 12

Government urged to boost satellite TV

BY RAYMOND SNODDY

AN APPEAL to the Government to help Britain catch up in satellite television, even if it meant state investment, was made yesterday by **Mr David Plowright**, chairman of the Independent Television Companies Association at the Financial Times Cable and Satellite Conference.

"A policy of drift will ensure an open field for international entrepreneurs, the media captains who may ultimately reduce national public service broadcasting to the level of poverty subsistence on an arts council grant," said Mr Plowright, who is also managing director of Granada Television.

During last year's efforts to get a British Direct Broadcast Satellite (DBS) venture going "everything had been up in the air except the satellite." Unlike major competitors, British companies in the advanced electronics industry could not rely on financial support from the Government.

However, the plan by the independent television (ITV) stations for a "SuperChannel" cable service to Europe was the broadcasters response to "the media captains," Mr Plowright said.

Mr John Jackson, chairman of Direct Broadcasting Ltd which plans to apply for the British DBS franchise, chaired the opening session. Mr Jackson said he believed the advent of DBS would stimulate the building of cable systems.

Prof Albert Scharf, president of the European Broadcasting Union and deputy director general of the Bavarian Broadcasting Corporation, warned that it was a dangerous deception to see public service broadcasters as bulky and clumsy dinosaurs about to be killed off by the new media entrepreneurs.

"I see an ever developing role for public service broadcasting in Europe," Prof Scharf said.

It would be increasingly needed as a safeguard to ensure variety and diversity to protect programme patterns not necessarily depending on commercial success. There would be no audiovisual Klondike in Europe and only a few of the new commercial channels would survive.

The new programmes should supplement, not displace, existing public service broadcasting. But the easiest way to kill off the existing system was to starve it.

Mr Bob Kennedy, managing director of Screen Sport, a cable sports channel, said the Government had to realise that real incentives for investors in cable were required.

"What we need is a short-term tax incentive to make investment in long-term capital projects attractive," Mr Kennedy said.

Mr Alain Giraud, technical adviser to Mr Louis Mexandeau, the French Post and Telecommunications Minister, said the opening up of the new French media to European partners was an act of faith designed to help European producers resist American competition.

France was opposed to any wild deregulation which would allow anonymous satellites to import programmes and export advertising revenues.

"By opening its new media to the most innovative entrepreneurs in Europe, France gives them the opportunity to reach the critical market size necessary for the growth of a genuine European production," Mr Giraud said.

Mr Colin Browne, chief executive of British Telecom broadband services, said BT was now prepared to consider backing channels which helped to fill gaps in the range of services available, "in order to safeguard and exploit our very considerable investment in cable systems."

Programmes, Mr Browne said, would have to be financed by a mixture of all the available means – subscription, advertising and sponsorship.

Mr Jon Davey, director general of the Cable Authority, said although cable was still very localised it was beginning to spread steadily in the UK.

Investment of £500m was expected over the next three years. Seven new broadband systems were operational and 10 national programme channels provided.

Mr John Clemens, managing director of AGB Cable and Viewdata and **Mr Bruce Roberts**, research manager at Sky Channel, gave a joint presentation on a study conducted in 11 countries in 6 languages. The study showed that 12.5m people could now watch Sky Channel.

In one week, a total of 4m people watched Sky at some time. Over two weeks this figure grew to 5m and across a three-week period more than 8m Europeans watched at least one Sky programme, Mr Clemens said.

Mr Charles Bonan, managing director of Turner Broadcasting International, warned that a state of revolution was taking place with satellites and programmes as weapons.

What was feared most was the loss of cultural boundaries and national economic balances. Yet viewers were hungry for new programming and the key to future funding would have to come from the relaxation of restrictive advertising policies.

Labour calls for action against insider dealing

BY PETER RIDDELL, POLITICAL EDITOR

A CALL for reassurance that action would be taken against insider dealing came yesterday from Mr Brian Gould, the Labour Party trade spokesman.

In a letter to Mr Paul Channon, the Trade and Industry Secretary, Mr Gould referred to a report in yesterday's Financial Times that insider dealing was taking place on a large scale to offshore companies controlled by UK professionals and other dealers.

"I understand that both the Stock Exchange and your department are aware of this development and are concerned about the difficulty in obtaining the necessary information to charge those responsible," he said.

"A failure to take effective action would gravely damage the reputation of the City at a time when it is painfully trying to set its house in order.

"If London's reputation is not to be tarnished yet again, it is essential that the rules are changed speedily and effectively so as to require disclosure of those who are involved," Mr Gould added.

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TECHNOLOGY

COULD YOU use a portable welding system, or novel gas detection sensor or a new type of diving suit? If so, Defence Technology Enterprises (DTE), a company in Milton Keynes that is trying to commercialise technologies from Britain's defence research establishments, would like to hear from you.

All three ideas emanate from work arising from Britain's military research and development budget of some £2bn a year. This accounts for 27 per cent of the country's total spending on research, a far higher proportion than in virtually all other Western countries except France and the US.

Concern that this large sum produces only small returns in terms of commercial products led Government ministers, from Mrs Margaret Thatcher downwards, to ask the financial community to find ways to transfer defence technology to civilian companies.

As a result DTE was set up last autumn with backing of "a few hundred thousand pounds" from eight financial groups—Lazard Brothers, Barclays Bank, BASE International, British Technology Group, Citicorp, Electra Investment Trust, Robert Fleming and Prutec.

The Milton Keynes company aims to match technologies developed by the Defence Ministry with companies that can use the ideas in commercial products. The scheme is intended to cut through the ministry's bureaucracy and desire for secrecy, factors which can stop useful military technologies infiltrating into civilian industry.

Peter Marsh on how defence innovations are being exploited

Military ideas for civilian use

Since November, about 70 companies have become associate members of a technology club that DTE organises, for which they pay an annual subscription of £500 to £2,500 depending on their size. In return the companies obtain regular up-dates on the technologies that DTE uncovers from the Defence Ministry.

So far, DTE has drawn up a list of 200 technical ideas which look commercially promising. They include equipment to grow crystals and to measure the strength of textiles, infra-red sensors for applications in surveillance, word-processing software and lightweight composites made from carbon-fibre and wood.

All the ideas have emanated from three Defence Ministry research centres, the Royal Aircraft Establishment in Farnborough, the Royal Signals and Radar Establishment in Malvern and the Admiralty Research Establishment.

These centres account for about 30 per cent of the £350m a year which the ministry spends on basic scientific research. Other defence centres may be brought into the DTE scheme if it proves successful.

At each establishment, DTE employs a full-time employee, called a "ferret," to decide which techniques looks suitable for exploitation and also to obtain approval from the ministry for publicising the details. The ministry can withhold permission if the technologies have not been patented or concern national security.

DTE has managed so far to transfer to the civilian sector one technique, a computer program called Malpas which checks the reliability of complex software.

The company has arranged a licensing deal under which Rex, Thompson and Partners, a software enterprise in Farnham, Surrey, will sell the product, which was developed at the Malvern establishment. Malpas was designed to maximise the reliability of complex military software, for radar equipment for example, but could also have uses in analysing complicated programs in commercial equipment such as patient-monitoring systems in hospitals.

In the case of Malpas, a company has to do relatively little to fit the technology for a wider application, says Mr Bernard Herdan, an ex-European Space Agency engineer who is DTE's managing director. In other instances, a company may have to spend significant sums to develop a technology for a civilian market.

Several other companies are keen to exploit technologies which DTE has publicised. The British subsidiary of Ampex, a US company which makes specialised tape recorders, is interested in new recording techniques for equipment intended for both military and civilian use.

Hilger Analytical of Margate, which produces specialised chemicals, and Lux Traffic Controls of Malmesbury, which makes traffic lights, are interested in the materials technology and software that DTE has to offer.

Mr Laurence Lux, chairman of the Malmesbury company, which has annual sales of £2m, says that knowing the correct people to talk to about innovations in defence technology is often difficult for a small concern. Mr Lux's company is developing traffic lights which switch on and off in response to the positions of vehicles.

If DTE operates as expected, the taxpayer should be among the beneficiaries. When it arranges a deal with an associate, DTE will hand over to the ministry a lump sum—typically £10,000 to £100,000—and possibly o royalty on future sales. In return, the Milton Keynes concern will gain a share of the associate's profits on selling the technology.

DTE hopes to license 10-20 technical innovations a year. Mr Mark Burrell, chairman of DTE who is also managing director of Lazard Brothers' venture-capital division, says it is too early to judge how well the organisation will perform. It hopes to move into profit in three to four years.

Besides hoping to make money from technology transfer, DTE's investors think that dealing with defence innovations may lead them to spot opportunities in financing new and fast-growing companies, says Mr Burrell. DTE will not be deterred from arranging licences with foreign companies but will "look British first," be says.

It is widely believed that more ideas from the UK defence research community would reach the commercial market place if individual researchers moved jobs more frequently.

According to observers, the greater job mobility in the US leads more defence scientists to seek work in commercial companies, resulting in the better US record in transferring military innovations to the civilian sector.

With this in mind, DTE says it hopes to arrange secondments of scientists from Defence Ministry research establishments to companies which may be interested in taking up their ideas.

Optical threat to magnetic disks

MAGNETIC DISK data recording in computer systems will continue to grow in Europe at 30 per cent a year at least until 1989, when the erasible optical disk should start to have an impact on magnetic system sales.

Some 9.5m magnetic disk drives worth $4.5bn were sold in Europe in 1985 and predicted sales for 1986 are 12m units worth $5.2bn.

A new report from Frost and Sullivan (F&S)* emphasises that there is o good deal of mileage left yet in magnetic technology, as developments like thin film heads, plated media and vertical recording push up recording capacities by cramming more data on the same size disks.

Most of the optical recording systems on the market are non-erasible and have therefore been mainly used where there is need to refer to fixed data that needs no updating. Erasible material and systems are in development in Japan and the US, and F&S expects commercial products to appear this year or next.

They "could well erode a significant slice of the Winchester market by 1989" says the report, because their recording density is 10 to 12 times that of magnetic disk products.

*Magnetic Disk Drive and Controller Market in Western Europe. Frost and Sullivan. In London on 01-935 3190 or New York on (212) 233 1080.

WORTH WATCHING

EDITED BY GEOFF CHARLISH

OPTICAL FIBRES will have an even higher capacity for transmitting information and should be required in smaller quantities in cables, following development of a 40-channel system at Plessey's Caswell, Northamptonshire laboratories.

Present optical fibres usually carry a very pure, single wavelength (colour) of light, switched on and off rapidly in special ways to transmit any kind of data—speech, music, pictures, computer data.

The Plessey development uses five variants of light emitting diodes, each covering a spectrum which is split into eight single wavelengths by a technique called "optical slicing." This yields 40 different, single wavelengths, which can be separately modulated with data. The technique is the optical equivalent of frequency division multiplexing (FDM) in electrical transmission, where many radio frequencies are sent down a line at the same time, each carrying information.

LIQUID SOAP production time has been reduced by 91 per cent using o cold neutralisation process developed by London Soap and Chemical Company (0689 31471).

Traditionally, liquid soap is made by neutralising fatty acids ot temperatures between 70 and 80 deg C, involving considerable expenditure of energy and up to four hours' cooling time.

The new process takes place at room temperature, without additional heat input and allows transfer to storage tanks only 20 minutes after the process is complete. Production capacity has been increased 2.5 times.

GENERAL ELECTRIC COMPANY is developing a prototype "expert" computer program to assist US Air Force maintenance personnel in diagnosing jet engine malfunctions.

The software, which will mimic the reasoning process of expert jet engine mechanics, will also be able to predict when parts in engines should be replaced to enhance fleet readiness.

The system will run on o personal computer, and the software development project is aimed at upgrading maintenance of GE TF-34 engines aboard A-10 tactical aircraft, such as that pictured with the engine trouble-shooting equipment.

COMPUTER AIDED electronic design and engineering systems have been added to the product range offered by Intergraph, the US-based company which last year moved into second position behind IBM in the computer-aided design (CAD) sales league.

Intergraph has previously concentrated on design systems for the mechanical engineering industries. The new systems cover the design of printed boards, thick and thin film hybrid circuits (including surface mounted components), semi-custom cell design for chips, circuit simulation and testing.

The software runs on the company's 32 bit engineering workstation and on VAX super-minicomputers. More on 0635 49044.

GAS FIRES are being designed by computer at Baxi Heating of Preston, using computer-aided design (CAD) equipment worth $0.53m from Applicon (UK), part of the Schlumberger Group.

Baxi's main incentive to move to CAD has been the static market for gas fire and boiler units. The company saw a need to introduce a more diverse range of products to stimulate sales.

Conventional new product development methods were costly and lengthy. With CAD, the need to produce five or six progressive hand-made solid models over perhaps five months has vanished. The engineers can now construct "solid" models on the screen and change designs with comparative ease and speed.

A window on other TV channels

TELEVISION SCREENS are taking on a new look with Multicontrol, a TV receiver technique that produces "windowing." Special chips inside the set, mean a viewer can touch a remote control box to produce a little picture in the top right hand corner of the screen showing what is on any other channel, or a picture from a closed circuit camera elsewhere in the house.

Alternatively, data from the home computer can be studied while monitoring a TV channel in the window. The set will cost £899. More on 0268 27788.

LASER PRINTERS able to deal with 8,800 feet per hour of roll or fan-fold paper (about 200 pages of A4 per minute) have been introduced by Siemens.

The machines have a resolution of 240 x 240 dots per square inch with four standard character founts, expandable to 64. Siemens claims a 50 per cent share of European market in high speed laser printers. More on 09327 85691.

SATELLITE TELEVISION dish aerial/receiver units ore to be supplied to Thorn EMI Ferguson by Satellite TV Antenna Systems of Staines, one of the first companies in the UK to demonstrate off-air pictures (from the Russian Gorizont craft).

Mr Peter Gray, managing director of Staines company, which is making units at its Powys factory, believes High Street retailers will be stockink the dishes by the spring. The value of the contract is not disclosed.

PRINTED CIRCUIT boards with dimensions up to 15ft x 5ft, believed to be the world's biggest, are being made available from Buckbee Mears in the US by Steatite Group of Birmingham (021 454 6961).

Such boards are needed for example, in the manufacture of microwave radar aerials. They are produced by fine line metal etching on rigid or flexible laminated boards made from o variety of metal foil and insulating layers.

APPLICATION-SPECIFIC integrated circuits (ASICs) are the subject of a joint development agreement by National Semiconductor and Xerox.

The ASIC is a "chip" on which electronic components and circuits are interconnected to suit the application needs of the customer and are a small but growing segment of the chip market.

UK NEWS

TUC attacks 'trade-off trend' with employers

BY PHILIP BASSETT, *LABOUR EDITOR*

THE TRADES Union Congress (TUC) yesterday *sharply attacked* some of the recent industrial relations practices of some of its unions such as strike-free deals *and* agreements which feature employee flexibility as a trade-off for high pay *and job security*.

In what was in effect a major new statement on the role and function *of trade* unions now, Mr Norman Willis, TUC general secretary, re-emphasised the need for unions to be mutually supportive.

Speaking in Coventry, Mr Willis accepted that the recession had made unions less attractive to members – but he insisted that just as union ascendancy was exaggerated in the 1970s, so was its decline now.

He saw one major problem confronting the unions as the change in management attitude towards them – from neutral, or mildly encouraging, seeing collective bargaining and union-based collective problem-solving as valuable, to one in which this was under threat.

He said: "The coocept in management circles is now 'human resources management' – seeking to secure commitment and flexibility from employees in exchange for relatively high pay and job security. This is far too fashionable."

Such a philosophy, based on successful Japanese and US companies operating here – he named IBM as its major exponent – placed emphasis among workers on company loyalty, and either saw no place for unions, or saw them only as purely company-based.

Such developments made union recruitment, and union recognition, much more difficult: "The price of recognition – a *single-union, no-strike*, compulsory arbitration agreement with Japanese companies – plus a legally enforceable agreement – may be too high a price to pay."

Trade unions were considering how to organise in a hostile climate, but in what seemed to be a reference both to some of the Japanese *industrial* relations deals and to the present UK newspaper dispute, he criticised sharply "the danger of a sort of enterprise chauvinism that encourages a retreat into isolation within each place of work and emerges too frequently to defeat, when a powerful multi-national company smashes through the illusion of localised strength."

Mr Willis acknowledged that trade union solidarity action could not be taken for granted.

He insisted that though this facet of trade unionism had receded, it still lived on in such pledges as the commitment to take action if any union members were sacked at GCHQ, the Government's communications *headquarters* where trade unions are now banned, and would become potent once again when *economic* conditions became more favourable.

On pay, Mr Willis identified a "sea-change," noting that the unions "did forget the dangers of inflation in 1970s" but that as a result *they had* "paid a price that was heavy not just in percentage terms, but in political terms as well."

Large City salaries luring senior staff

BY DAVID THOMAS, LABOUR STAFF

SOME manufacturing and service companies are finding it difficult to recruit senior finance staff such as treasurers *because of the large salaries* now being paid in the City of London.

Companies are having particular problems in competing against the kinds of packages being offered by US finance bouses.

These are some of the findings in a survey of executive salaries in 91 organisations reported in the latest quarterly review by the Top Pay Unit of Incomes Data Services (IDS), an independent pay research group.

It says that most companies are also reporting shortages of key professional staff in *other* areas, such as electronics engineering, data processing, accountancy (in some sectors only), retail purchasing (where premiums are now being paid) and some senior sales positions.

IDS found that the average pay increase for executives in the last quarter was 8.2 per cent, which was *marginally higher than* in the three previous quarters. By comparison, the latest IDS report on pay settlements for all workers shows a hunching between 5 and 7 per cent.

In the case of executive *salaries, increases are* lower for executives whose pay rises depend entirely on merit reviews, according to *IDS*. On average, their pay went up by 7.6 per cent during the last quarter.

The highest individual increase *found was 35 per cent; though IDS* comments that this was exceptional. IDS also found two companies, both in semiconductors, which have deferred executive pay increases because of the state of their order books.

Review 61. Top Pay Unit, IDS, 140 Great Portland St, London W1N 5TA.

Rejection by teachers' union 'indefensible'

BY KEVIN BROWN

SIR KEITH JOSEPH, Education Secretary, yesterday launched a strong attack on the "appalling" behaviour of the National Union of Teachers (NUT), the only teaching union to reject the 6.9 per cent pay deal which has ended *the 13-month* school dispute in England and Wales.

Sir Keith told the *House of Commons* that the NUT was willing for its members to take *salary* increases negotiated by other unions while continuing its campaign of disruptive sanctions in the schools.

The unioo was also urging its members to oppose talks on an urgently-needed new contract for teachers. This was "an utterly indefensible position," Sir Keith said.

The deal, agreed on Monday evening, will give rises of 6.9 per cent *backdated to April last year*, with a further 1.6 per cent to follow at the end of this month. There will be further talks at Acas, the Government-backed conciliation service. These will deal with the structure of the teaching profession.

Mrs Nicky Harrison, leader of the employers' side, said she expected to see a return to "complete peace" in the classrooms. Mr Fred Jarvis, general secretary of the NUT, said he did not share that optimism. All the deal would bring was a temporary truce, he said.

Mr Martin Flannery (Labour) said in the Commons that teachers were still not being paid enough for the vast amounts of work they carried out without overtime. Mr Flannery, a former beadmaster, said teachers were returning to normal working "embittered and angry" *and he believed that a further dispute* could break out shortly.

Thatcher defends Sellafield

By Our Parliamentary Staff

THE GOVERNMENT was pressed in the House of Commons yesterday to close the Sellafield nuclear *reprocessing* plant, operated in Cumbria, north-west England, by British Nuclear Fuels, because of the recent series of radioactive leaks.

Mr John Hume, leader of the Social Democratic and Labour Party, asked Mrs Margaret Thatcher, the Prime Minister, at question time: "Now that you are getting a substantial radioactive leak a week, will you agree that public concern is now becoming public alarm, and there is now no alternative to closing the plant?"

Mrs Thatcher said: "No. The nuclear power *industry* has the best record of all the energy industries for safety. It would be as well if that were fully recognised by some of those criticising Sellafield."

The Prime Minister said she believed people would be reassured by the safety audit being carried out at Sellafield by the Health and Safety Executive.

£100 airship trips to start

By Michael Donne

AIRSHIP INDUSTRIES, the UK-based but Australian controlled manufacturer of lighter-than-air craft, is to undertake a series of *fare-paying* passenger scheduled flights in one of its Skyship 500 airships.

These will be the first fare-paying passenger airship flights in Britain for nearly 49 years. Hitherto, AI's craft have been used on contract work.

The Skyship 500 will be based at Panshanger airfield, in Hertfordshire, and will make four flights daily over London, each lasting about 1¼ hours, between April 23 and *May* 31. The flights will cost £100 each.

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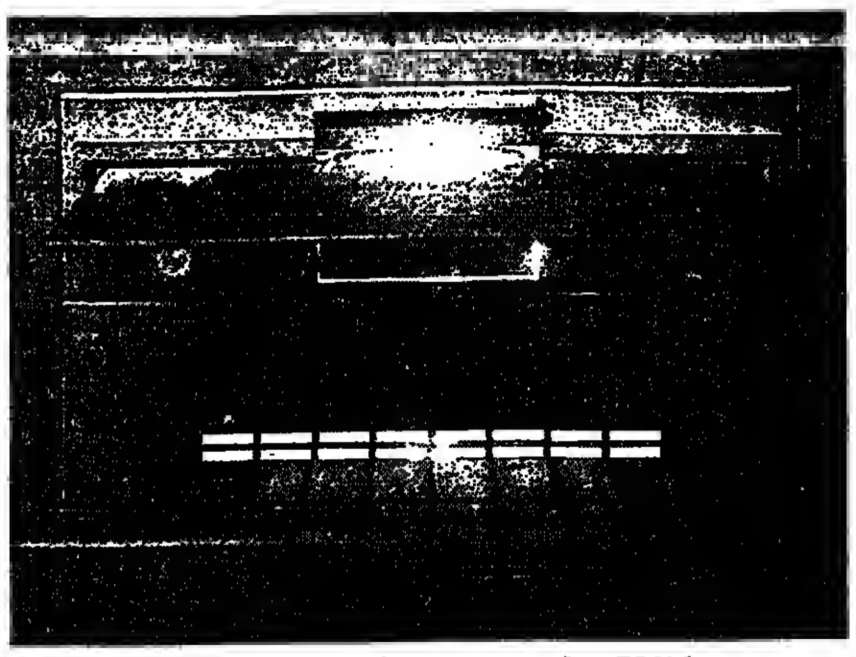
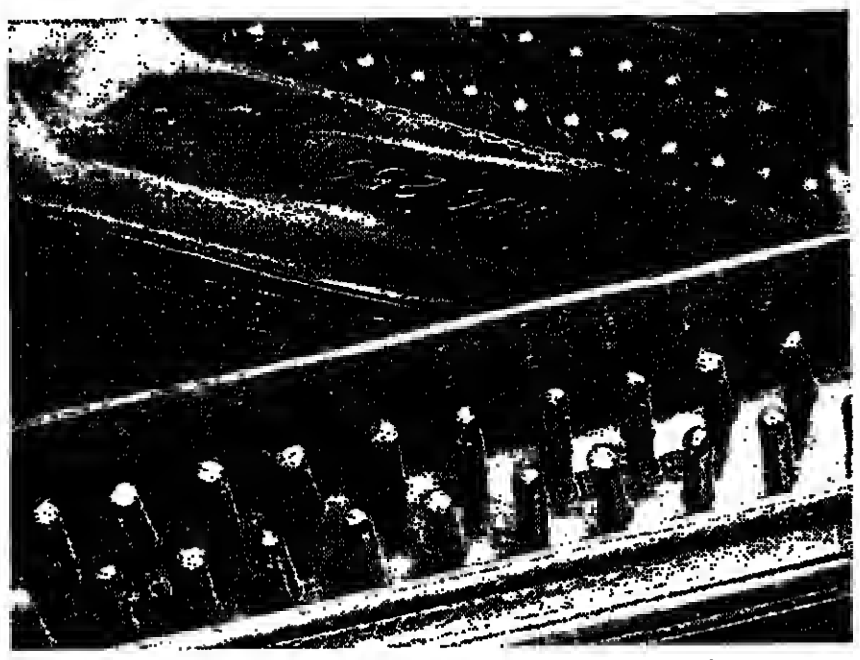
MAINFRAME COMPUTERS. In 1946, Sperry delivered the world's first computer. Today, we have the second largest base of installed mainframes in the world.

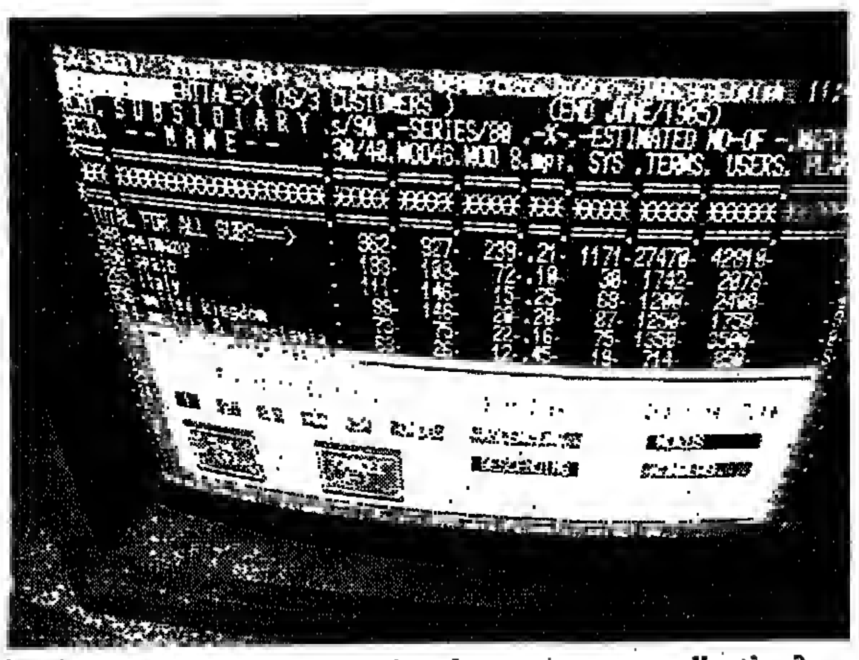


MICRO COMPUTERS. Our fastest growth – 58% last year – is in micro computers, from multi-user PCs up to supermicros more powerful than our smallest mainframes.

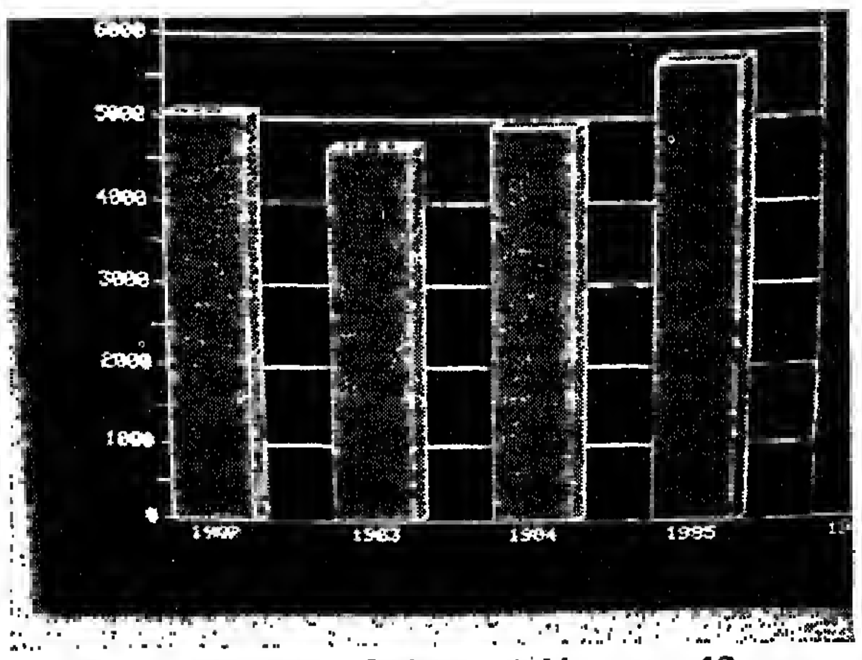


NETWORKS. Sperry built airline and bank networks as early as 1964. We can connect with small computers, big computers and even non-Sperry computers.

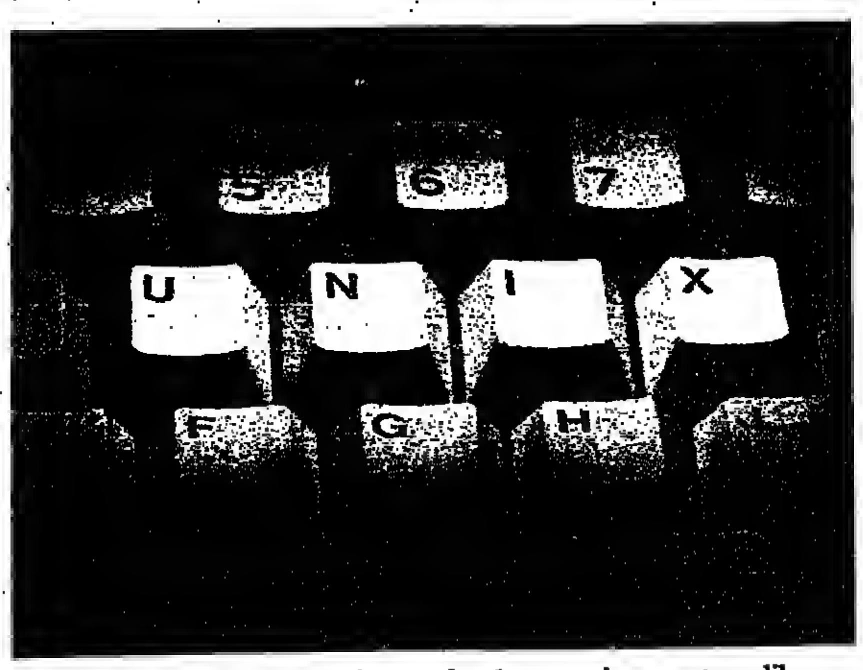
OFFICE AUTOMATION. In the overcrowded battle for the desktop, Sperry has already captured a significant share of the market for integrated office systems – more than most "specialists".



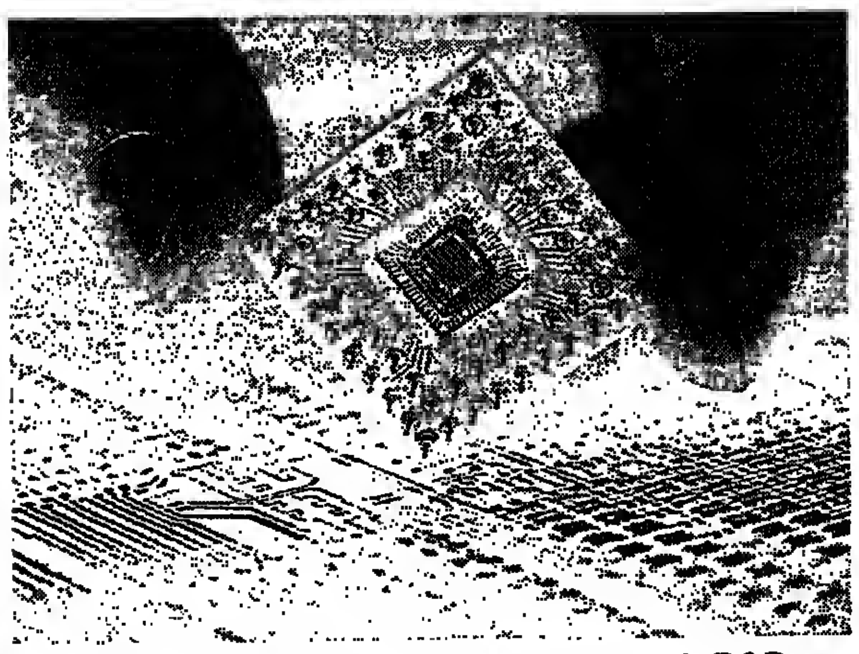
MAPPER. Do you want to develop your own application? This end-user language can turn you into a programmer in no time. 250,000 people around the world use it.



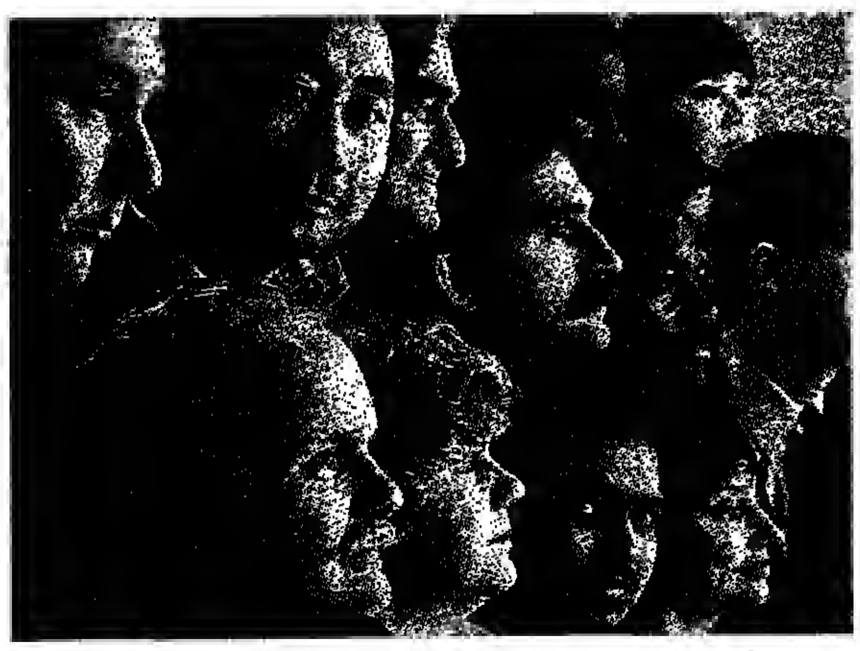
FINANCIAL STRENGTHS. Orders and shipments of Sperry computers are at a record high. Over the last three years, our revenues grew by 50% and profits tripled.



INDUSTRY STANDARDS. A standard operating system like UNIX™ lets machines from competing suppliers work together. Sperry computers, from PC to mainframe, run UNIX.

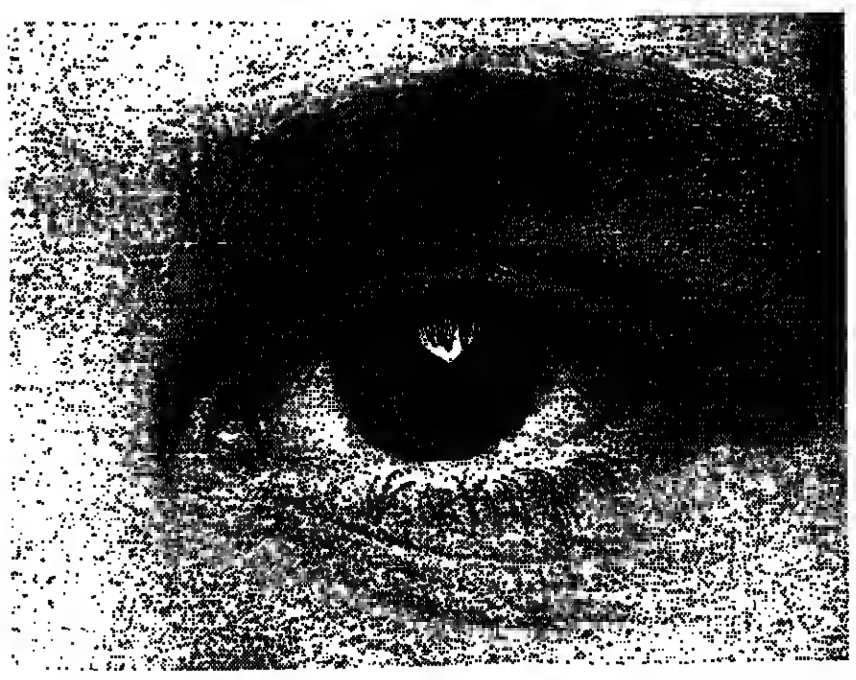


TECHNOLOGY. Sperry invests 12% of turnover in R&D – highest in the industry. One of last year's 463 projects was to make a PC work with Chinese characters.



SALES AND SUPPORT. Sperry's products are sold and serviced by 77,000 people in 50 countries. Last year, 51,000 users were educated at 36 Sperry Training Centres.

INDUSTRY CENTRES. These 11 international centres create special applications in areas like manufacturing, banking, airlines and artificial intelligence.



UNITED KINGDOM. Sperry is one of the country's largest computer companies with a network of branch offices and over 100 dealers nationwide. Customers include TSB, Abbey National, RAC and the Metropolitan Police.

Companies don't do business, people do.

Right now there is a Sperry person waiting for you to call (01) 961 3616. He or she will send you more information about our company and the products we sell.

Ask for a technical report on the story from the previous page, if you'd like one.

Or talk directly to a Sperry salesperson, a Sperry consultant, or a Sperry training expert.

Whatever your computer problem, our people are interested in listening to you.

Sperry Ltd., Sperry Centre, Stonebridge Park, London NW10 8LS.

SPERRY

UNIX™ is a trademark of AT&T Bell Laboratories.

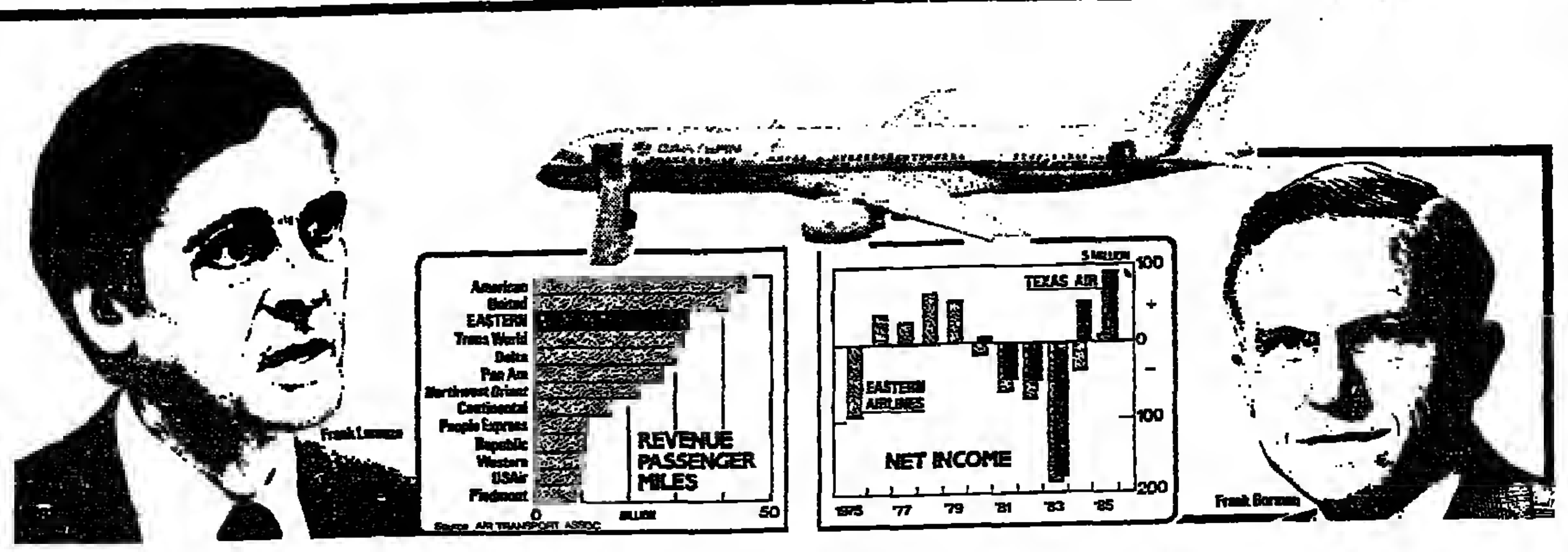
THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Eastern Air Lines

Falling prey to rigours of deregulation

BY WILLIAM HALL AND PAUL TAYLOR



JUST six months ago Eastern Air Lines, the third biggest US airline, was being hailed as another Chrysler Corporation, and Colonel Frank Borman, its chief executive, was being likened to Lee Iacoca, who rescued the troubled car company from the brink of financial ruin.

But last week, Borman's decade-long efforts to turn around the Miami-based airline collapsed amidst bitter recriminations between the former astronaut and his 40,000 strong workforce. The debacle allowed Frank Lorenzo's upstart Texas Air Corporation to take control of one of America's most famous airlines at what is widely regarded as a bargain basement price of $600m.

The humiliating takeover of Eastern, which is twice the size of Texas Air, has left Wall Street, the unions and airline industry observers with one overriding question. Could Eastern have avoided its demise?

The deregulation of the US airline industry has unleashed an unprecedented wave of price cutting, competition and consolidation which had pushed Eastern to the brink of bankruptcy before Lorenzo, one of deregulation's most ardent advocates, rode to the rescue.

The Eastern Air Lines, of which Borman took command in 1976 was a barely profitable industrial giant which like *Trans World Airlines, American* Airlines, Pan Am, and others, was being protected from effective competition by a plethora of rules and regulations which governed US air fares and route structures. When these were disbanded in 1979, Eastern, with its high cost structure, was among the first to feel the heat.

In the aftermath of the passing of the Airline Deregulation Act of 1978, Eastern sank deeper and deeper into the red and by 1983, when the airline reported a $183.7m loss, was on the verge of bankruptcy.

The company had one of the highest cost structures of any US airline, a massive debt load and a history of hostile and counter-productive labour relations. In a dramatic bid to save his airline Borman entered into a remarkable pact with the workforce in 1983. In return for agreeing to substantial wage and benefit concessions, Eastern's employees were given a 25 per cent stake in the company and four seats on the board.

It was an agreement which was heralded as a model of worker participation and power sharing ideally suited to the more hostile commercial environment in which US airlines now had to compete. For a while Borman's gamble appeared to be paying off. Eastern's losses shrank dramatically in 1984 and the first nine months of 1985 were the best in the company's history. Eastern earned $73.3m on revenues of $3.7bn after setting aside $20m for profit sharing.

However, an intensification of the spasmodic air fare wars late last year led to a slump in Eastern's profits and Borman was once again asking for concessions from his workforce. He had little choice. Eastern's bankers, holding $2.5bn of debt, were demanding further substantial wage concessions if they were to continue their financial support.

Borman told his workforce that there were three choices. A permanent reduction in the airline's cost structure, a merger with a healthy partner or to seek the protection of the bankruptcy courts. Eastern's pilots and eventually the flight attendants agreed to new concessions but the powerful machinists union, led by Charles Bryan, baulked at the ultimatum and only agreed to give way if Borman quit. Bryan blamed the sharp reversal in Eastern's financial fortunes on "tremendous mistakes in management" rather than worker intransigence. With Frank Lorenzo's cash and paper bid valuing Eastern at a modest $600m sitting on the table, Eastern's board refused to ask Borman to step down and took the merger route by agreeing to the Texas Air proposal made a few days earlier.

Ultimately it was the deep personality clash between Borman and Bryan that prevented Eastern from getting to grips with the real challenge of deregulation—*achieving a* once-and-for-all reduction in its wage cost structure.

Realities

The 1983 wage agreement was a "quick fix" says Professor Bruce Allen, a transportation expert at the Wharton Business School, Philadelphia. Dr George James, president of the Washington-based consultancy, Airline Economics, agrees and says that Eastern's principal problem was that "the labour unions did not recognise the economic realities of deregulation." Each time Eastern won wage concessions it was only for a year or two years' time at most before returning to earlier levels. As a result Eastern's labour costs were still 38 per cent of operating expenses on the eve of the airline's latest financial crisis.

Even Borman admits that his management team could be faulted for not controlling labour costs sooner, and Joe Leonard, his second-in-command, concedes that "with hindsight, we used a scalpel where a sharp axe was required." Pressed to explain why other high cost carriers like American Airlines were able to get permanent concessions from their workforces, Borman says that they had the luxury of money in the bank. "That is something we have not had for ten years," he says.

Lorenzo's Texas Air had faced the same sort of problems as Eastern when it took over its flag carrier, Continental Airlines, a heavily unionised high cost operator, burdened with debt and suffering from the cut price fare wars which erupted after the deregulation of the US airline industry. In 1982, the year it acquired Continental, the group lost $46m.

"Lorenzo grabbed the bull by the horns. He was not so steeped in the industry as were some others who were wishing for a return to the good old days of regulation," says Wharton's Allen.

A year after he had taken control of Continental, Lorenzo did the unthinkable. As Continental's cash dwindled, he took the airline into Chapter 11 bankruptcy, tearing up all labour contracts, cutting the workforce by two-thirds and halving wage rates in the process.

Despite the violent opposition of the unions, Lorenzo changed Continental Airlines into a cut-price, low cost carrier, overnight. Continental's labour costs as a percentage of operating expenses plunged from 35 per cent to just 21 per cent. He increased the number of hours per month flown by an average Continental pilot by 63 per cent; flight attendants' monthly hours rose by 49 per cent.

With the bulk of Continental's pilots on strike Lorenzo scaled back drastically the airline's operation. However, in less than a year Continental had rebuilt its market share with the help of non-union pilots and some of the lowest fares ever seen in the US.

As a result, Continental's earnings rebounded. After posting a huge $218m net loss in 1983, Continental bounced back into the black in 1984 and last year earned $94m. With Continental now on the verge of emerging from Chapter 11 the airline is considerably bigger than it was before it filed for bankruptcy and employs more people.

However, Lorenzo has never lost sight of the need "to keep all controllable costs low in order to compete with new 'low cost' carriers and with established carriers which are taking major steps to reduce expenses." In order to motivate his 13,000 strong workforce, Continental has adopted profit sharing and stock option plans.

Can Lorenzo work the same sort of magic at Eastern Air Lines? He has been helped greatly by falling interest rates and oil prices and may not always be so lucky. The challenge will not be an easy one. Eastern's borrowings are immense, its workers are much better organised than was the case at Continental Airlines and so far only two of the three main unions have agreed to the sorts of wage concession which will make Eastern's bankers happy.

If the deal passes muster with the US anti-trust authorities, analysts believe that Lorenzo can look forward to a honeymoon period with the unions. They also warn that this could come to an abrupt end when Lorenzo takes the sort of steps they believe will ultimately be necessary to ensure Eastern's longer term survival.

Texas Air's share price jumped by 75 per cent in the five days after the deal was unveiled—suggesting that Wall Street believes, for the moment, that Lorenzo will succeed where Borman failed.

Maverick high-flyer

FRANK LORENZO, the president of Texas Air, has built his airline empire by *flying in the face of* conventional wisdom. His bid for troubled Eastern Air Lines is a classic of its kind—bold, opportunistic and risky—typical of his reputation for aggressive entrepreneurship.

Even before the Eastern bid, the boyish-looking 45-year-old street-kid from New York's Queens district, whose *Spanish-born immigrant* parents owned a Manhattan beauty parlour, was already feted on Wall Street as a financial wizard, feared and sometimes rejected by the airline industry's old guard, and viewed with deep suspicion by the unions because of a "union-busting" reputation he claims is all wrong.

Lorenzo—a soft-spoken but hard driving and determined manager who traded Francisco for plain old "Frank"—has always aroused strong feelings. Fortune Magazine once described him as a former "wide-bodied executive with a reputation for remoteness," but Lorenzo, who lost 45 lbs in 1984 to run the New York Marathon while attempting a similar metamorphosis on his bankrupt Continental Airlines, appears unperturbed.

With the bid for Eastern he has emerged as the quintessential champion of a new breed of US airline chief executives riding the turbulent wave of deregulation. If the deal goes through he will control the biggest airline group in the US, comprising Eastern, Continental Airlines and New York Air—an industry giant he has assembled in not much more than a decade.

His passionate interest in airlines dates back to when he was 15. Following a trip to London, he bought stock in TWA. After working his way through Columbia University and Harvard Business School, driving Coca-Cola trucks and working in Macy's store, his first job was as an analyst in TWA's finance department, followed by a brief stint in a similar post at Eastern.

In 1966 he teamed up with Harvard Business School room-mate Robert Carney, pooling $2,000 to form an airline consulting business called Lorenzo, Carney and Co. The partnership evolved into Jet Capital, a company set up initially to undertake aircraft leasing. In 1971 Chase Manhattan Bank called in Jet Capital to look at the finances of a floundering, near-bankrupt regional airline called Trans Texas Airways (known in the industry as "tree top *airlines*").

Lorenzo and Jet Capital did more than just look at Texas — they bought the airline, renamed it Texas International, restructured its debt and helped usher in the era of deregulation and discount fares by offering "peanut" fares — cut price air tickets approved by the now-defunct Civil Aeronautics Board (CAB) in 1977. Over the next few years, Lorenzo, once an opponent of deregulation, became one of its most ardent advocates.

His spartan life-style — he works out of a small Houston office and eschews the lavish trappings of many other airline executives — *coupled with his reputation* as a dealmaker, stock wizard and discount-fare Maverick, won him few friends within the "clubby" airline industry. While most industry executives were pondering long term plans, colleagues said Frank Lorenzo would shift strategies almost daily, waking up each morning with a "better idea than the one he had the day before."

But one long term goal did underpin all his actions — an overriding belief that he needed to build an airline with sufficient size and mass to compete in a fiercely competitive deregulated marketplace. This ambition brought him into quick conflict with the airline industry establishment.

After Pan Am foiled two bids by Lorenzo for National Airlines in 1979 — bids which nevertheless netted his group a $40m profit on the sale of its national stock — he went after TWA. Lorenzo invited TWA chairman, L. Edwin Smart, to breakfast and offered to buy his airline. Smart reportedly stormed out of the meeting infuriated, without even eating.

In 1980 he seized the opportunity deregulation afforded, turning Texas International into a holding company and setting up New York Air, a non-union carrier, to compete with Eastern Air Lines in the lucrative Boston-New York-Washington DC shuttle corridor. The move angered and frightened the airline labour unions which ran advertisements depicting Lorenzo as a cowboy tearing up union contracts and asked: "Is this any way to run an airline?"

Three years later the unions were still asking the same questions when Lorenzo took over Continental Airlines, acquired in 1982 for $13m after a bitter bid battle, into Chapter 11 bankruptcy. For a while Lorenzo's victory at Continental appeared to have stymied his broader expansion plans.

The bitter airline unions saw the Continental Chapter 11 filing as a ruse to abrogate labour contracts. During the ensuing strike Captain Henry Duffy, the pilots' union chief, said of Lorenzo: "Frankly we think he is a little short on corporate integrity." Naturally, Lorenzo has rejected such accusations.

At Eastern, however, the unions' distrust of Lorenzo appears to have eventually given way to a belief that Eastern, could only survive, in the words of Charles Bryan, the local leader of the powerful machinists union, with "a strong businessman in charge." *Lorenzo certainly* fits that bill.

Company Notices

CITY OF OSLO 1974/1992
6¾% UA 12,000,000
On February 11, 1986, Bonds for the amount of UA 800,000 have been drawn for redemption in the presence of a Notary Public.
The Bonds will be redeemable coupon No. 13 and following attached on and after April 1st, 1986.
The drawn Bonds are those, NOT YET PREVIOUSLY REDEEMED, included in the range beginning:
at 9580 up to 10468 incl.
Amount outstanding: UA 5,400,000.
Outstanding drawn Bonds:
5144, 6232 to 6256 incl., 6258 to 6260 incl., 6831, 6833 and 6834, 3887 and 6888, 6921, 6933, 9006 and 9007, 9574 and 9575.
The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE
Luxembourg, February 25th, 1986

MOET-HENNESSY
7% Convertible Bonds due 1999
Notice to Bondholders
CORRECTIVE ANNOUNCEMENT
The first paragraph of the notice published on *Wednesday February 12,* 1986 should read as follows:
NOTICE IS HEREBY GIVEN that, pursuant to a resolution adopted by the shareholders at a meeting held on 13 June 1985, the Board of Directors of MOET-HENNESSY approved a transfer of FF49,621,200 from the share premium account to share capital, thus creating 992,424 new shares.

CREDIT FONCIER DE FRANCE
Ecu 50,000,000 TF 1993/1993
Bondholders are hereby informed that the rate applicable for the thirteenth interest period has been fixed at 10¼%.
Coupon No 13 will be payable as from May 28, 1986 at the price of ECU 253.40 equivalent to an interest of 89 days, covering the period from February 28, 1986 to May 27, 1986 inclusive.
The Reference Agent
CREDIT LYONNAIS - LUXEMBOURG

H. J. HEINZ COMPANY LIMITED
NOTICE IS HEREBY GIVEN that the Transfer Books of the 3.15% (formerly 4½%) Redeemable Cumulative Preference Shares of this company will be closed from 1-28 April 1986 both dates inclusive.
K. L. SMART.
Company Secretary.
Hayes Park,
Hayes,
Middlesex.
28 February 1986.

Legal Notices

IN THE MATTER OF
VISION VIEW LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the fourth day of April 1986 to send in their full Christian and Surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned
SURJIT KUMAR SINGLA, FCA,
of Singla & Co.,
Chartered Accountants,
of Broad Street House,
35 New Broad Street,
London EC2M 1NH
the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 24th day of February, 1986.
S. K. SINGLA, FCA, Liquidator

IN THE MATTER OF
OLENINGS LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 8th day of April, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned
STEPHEN DANIEL SWADEN, FCA,
of 30 Eastbourne Terrace,
London W2 6LF
the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 25th day of February, 1986.
S. D. SWADEN, Liquidator

IN THE MATTER OF
VIVARCH LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 31st day of March, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned
DAVID SWADEN, FCA,
of 46 Rodney Street,
Liverpool L1 9AA
the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated this 4th day of February, 1986.
D. SWADEN, Liquidator

BASIL GRAHAM (LONDON) LIMITED
NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985, that a Meeting of the creditors of the above named Company will be held at the offices of
LEONARD CURTIS & CO.,
situated at
30 Eastbourne Terrace (2nd floor)
London W2 6LF
on Wednesday the 12th day of March 1986 at 12.00 o'clock midday, for the purposes provided for in Sections 589 and 590.
Dated the 24th day of February, 1986.
A. NEWMAN, Director

No. 00302 of 1986
IN THE HIGH COURT OF JUSTICE
Chancery Division, in the Matter of *UNITED NEWSPAPERS PLC* and in the Matter of the Companies Act 1985.
NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 17th February 1986 confirming the reduction of the Share Premium Account of the above-*named* Company by *£55,000,000 from* £57,390,620 to £2,390,620 was registered with the Registrar of Companies on 27th February 1986.
Dated this 28th day of February 1986.
THEODORE GODDARD
THEODORE GODDARD,
16 St. Martin's-le-Grand,
London EC1A 4EJ
Solicitors for the above-named Company.

THE COMPANIES ACT 1985
WESTMINSTER PROPERTY GROUP
(MANAGEMENT) LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 588 of the Companies Act, 1985, that a Meeting of the Creditors of the above-named Company will be held at 33 Chancery Lane, London *WC2A 1EW,* on the 11th *day of March* 1986, at 3.30 in the afternoon, for the purposes mentioned in sections 589 and 590 of the Companies Act 1985, i.e.:
1. The nomination of a Liquidator.
2. The appointment of a Committee of Inspection.
Dated this 24th day of February 1986.
By Order of the Board,
TIMOTHY COE,
Secretary.

CHIPHEAR LIMITED
T/A GUARDIAN CLEANING SERVICES

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985 that a Meeting of the creditors of the above named Company will be held at the offices of
LEONARD CURTIS & CO.,
situated at
30 Eastbourne Terrace
(second floor).
London W2 6LF
on Tuesday the 18th day of March 1986 at 12.00 o'clock midday for the purposes provided for in Sections 589 and 590.
Dated the 25th day of February 1986.
D. SAUNDERS, Director

TREWS OFFICE EQUIPMENT
(CROYDON) LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 588 of the Companies Act, 1985, that a Meeting of the creditors of the above named Company will be held at the offices of
LEONARD CURTIS & CO.,
situated at
30 Eastbourne Terrace (2nd floor)
London W2 6LF
on Tuesday the 11th day of March 1986 at 12.00 o'clock midday, for the purposes provided for in Sections 589 and 590.
Dated the 24th day of February, 1986.
B. K. ARCHER, Director

BASE LENDING RATES

ABN Bank	12½%	■ Hambros Bank	12½%
Allied Dunbar & Co.	12½%	Heritable & Gen. Trust	12½%
Allied Irish Bank	12½%	■ Hill Samuel	§12½%
American Express Bk.	12½%	C. Hoare & Co.	12½%
Amro Bank	12½%	*Hongkong & Shanghai*	12½%
Henry Ansbacher	12½%	Johnson Matthey Bkrs.	12½%
Associates Cap. Corp.	12½%	Knowsley & Co. Ltd.	13 %
Banco de Bilbao	12½%	Lloyds Bank	12½%
Bank Hapoalim	12½%	Edward Manson & Co.	13½%
Bank Leumi (UK)	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	*Midland Bank*	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount Credit Corp. Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	13½%
■ Brown Shipley	12½%	PK Finans. Intl. (UK)	13½%
CL Bank Nederland	12½%	Provincial Trust Ltd.	13½%
Canada Permanent	12½%	R. Raphael & Sons	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13 %
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Citibank NA	12½%	Standard Chartered	12½%
Citibank Savings	¶12½%	TCB	12½%
City Merchants Bank	12½%	Trustee Savings Bank	12½%
Clydesdale Bank	12½%	United Bank of Kuwait	12½%
C. E. Coates & Co. Ltd.	13 %	United Mizrahi Bank	12½%
Comm. Bk. N. East	12½%	Westpac Banking Corp.	12½%
Consolidated Credits	12½%	Whiteaway Laidlaw	13 %
Continental Trust Ltd.	12½%	Yorkshire Bank	12½%
Co-operative Bank	*12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
Financial & Gen. Sec.	12½%		
First Nat. Fin. Corp	13½%		
First Nat. Sec. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptrs.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		

■ *Members of the Accepting Houses Committee.*
* 7-day deposits 8.70%. 1-month 9.80%. Top Tier—£2,500+ at 3 months notice 12.06%. At call when £10,000+ remains deposited.
‡ *Call deposits* £1,000 and over 9% gross.
¶ Mortgage base rate.
§ Demand dep. 8¾%. Mortgage 13%.
NOTE: The symbol shown against Hill Samuel Base Rate on February 24, 25 and 26 was incorrect.

هكذا حسة بالأصل

"It won't guarantee a seat on the board but it could help keep you there."

At the highest levels of business, you're paid for the quality of your decisions. Decisions that can depend on your sense of perspective.

And in a world of accelerating change, that perspective is becoming harder to gain amid the blur of conflicting messages.

That's why you'll welcome the advent of Business magazine.

From this month, Business will help you identify the people, the issues, the trends that really matter.

It can do so because it's published monthly. Unlike publications which are always chasing deadlines, Business has time for thorough research and carefully considered analysis.

So, in the first issue, you'll discover which of the UK's top companies get the best from their workforce.

You'll also meet Lord Hanson, the man whose predatory nature strikes fear into company chairmen.

Whatever the subject – the professions or industry, home or abroad – you'll find Business informative and hard-hitting.

We've no room for the kind of writers who regurgitate PR handouts.

Although Business is a magazine of high seriousness, we do not believe it should be a penance to read.

You'll find its 180 or so pages are richly illustrated and printed on high quality paper.

They breathe colour into the mechanics of success.

In fact, Business combines precisely the qualities you'd expect from a venture whose backers are the FT and the publishers of Vogue.

That makes it essential reading.

Whether you aspire to a seat on the board, or simply want to hang on to the one you have.

POWER & MONEY TALKING.

INDIAN FINANCE

New issues fuel Indian stock market boom

BY JOHN ELLIOTT, RECENTLY IN BOMBAY

IN THE pink stone Rajesthan city of Jaipur, south of New Delhi, a shareholders' association runs a flourishing unofficial stock exchange. In Bombay national newspapers carry tables of unofficial prices in advance of flotations. Traders deal on the streets of Bombay's old commercial quarter when the official stock exchange is closed.

India's stock markets are booming 15 months after the new policies of Mr Rajiv Gandhi, the prime minister, rebuilt industrial confidence.

Following last Friday's annual budget which did not give industry all it had hoped for, the All India Share Index of the Economic Times, the country's main business newspaper, has fallen back to its levels of five weeks ago. But it is expected soon to resume its climb towards new record levels.

The All India Share Index has hovered for most of the past month at roughly double its level of January last year despite interventions by the authorities to curb excessive speculation

For most of the past month it has hovered at roughly double its level of 278 on January 1 last year, despite regular interventions during the year's rapid increases by stock exchange authorities and government-owned financial institutions to try to curb excessive speculation.

The main interest is in capital appreciation in the primary market rather than long-term dividends.

New issues are being oversubscribed an average of five times with some going as high as 150 times, as a rapid expansion of the motor industry has sparked a fascination for foreign tie-ups, especially those with Japanese names such as Honda and Yamaha.

The public sector tried last month to cash in on the boom with two major bond issues of Rs 1bn ($82.3m), each by electric power and telephone corporations. These have not been as well received as had been hoped, although both have exceeded their targets.

Foreign investors will this month be given their first, albeit indirect, chance to invest in the stock markets through an offshore fund organised by Merrill Lynch. Many major Indian companies have money-raising plans — for example, Telco, the vehicle manufacturing arm of the Tata group, which says it will raise Rs 1.5bn to Rs 2bn in the next six months.

Yet there is growing concern that the spiralling share prices, linked with flotations of dubious as well as viable companies, may rebound.

"We feel that an element of speculation has pushed up prices of scrip that is not good," says Mr R. N. Malhotra, governor of the Reserve Bank of India in Bombay. "Some speculation is inevitable but too much is bad because for the first time small investors are getting into the market and if they lose it could hit confidence."

There is also concern among businessmen that even though the unsophisticated markets are not rigorously controlled, the Government has too much influence on issue prices. The inadequate controls mean that false prospectuses are being issued, and that stockbrokers are not properly regulated as a profession.

The stock markets in India were dormant till the early 1970s when the Foreign Exchange Regulation Act led to sales of foreign holdings in Indian companies. That caused a relatively brief flurry on the exchanges. The real growth did not start till two or three years ago.

New capital issues approved by the government rose from Rs 10bn ($804.5m) for 460 companies in 1983-84 to Rs 20bn for 712 companies in 1984-85. By the end of last December the figure for the first nine months of the current financial year had reached Rs 25bn for 790 companies.

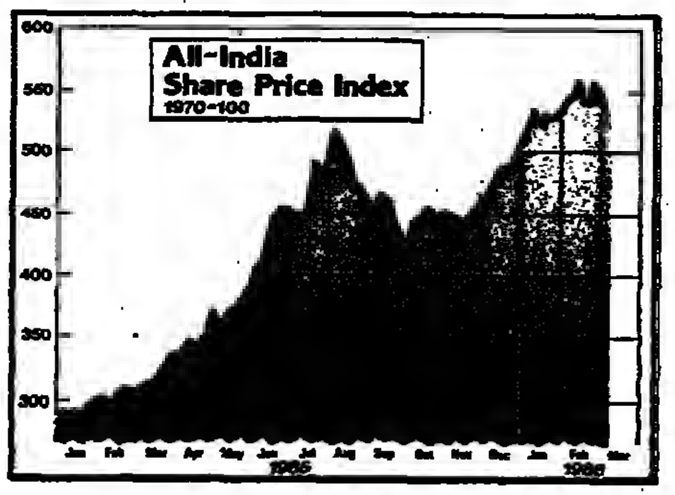
This indicates a total for 1985-86 of more than Rs 25bn. More than 40 new issues, a record number, went on the market in the first half of last month.

The total market capitalisation of 5,000 companies quoted on the country's 14 stock exchanges is only about Rs 150bn while the number of investors is about 7m, up from 2m five years ago and estimated to increase to 15m within five years.

Such figures are small when compared with major exchanges of developed countries. But for India they show a significant trend with people from both the urban middle class and rural areas moving their money into new flotations not, so far, speculating much in secondary markets.

About 70 per cent of the issues are in non-convertible debentures, boosted by new equity-linked debenture instruments introduced by the Government two years ago which cushion investors by providing guaranteed returns on loans as well as speculative capital gains on the equity.

Companies are attracted to debentures because interest paid is deductible from heavy rates of taxation, unlike equity dividends. But there is some concern that the trend has gone too far. "As the central bank we think it important that the proportion of equity should go up because too much debt can cause problems for companies," says Mr Malhotra.



The country's seventh five-year plan for 1986-90 is substantially based on the private sector rapidly expanding its role in the economy at a time when public sector resources and international support are scarce. This could involve as much as Rs 80bn being raised from the capital market, according to leading stock exchange executives, more than doubling the present total capitalisation.

The latest two public sector issues illustrate part of the requirement. National Thermal Power Corporation and India Telephone Industries have both gone to the market, after widespread and (for India) unusual corporate advertising and publicity, for Rs 1bn in unconvertible tradeable debentures.

They both expected to raise substantially more than their original figures through acceptance of oversubscriptions and other issues.

But, even with some bonds being bought by government-owned banks and institutions, Thermal Power is thought not to have attracted more than Rs 1.2bn and the telephones business only about Rs 1.05bn to Rs 1.07bn.

Another Rs 650m is to be raised for rural electrification. A new corporation which is being set up to modernise and run the telephone systems in Bombay and Delhi is also a likely candidate for the market along with the Oil and Natural Gas Corporation.

The Merrill Lynch fund will be launching as an "initial small window" for foreign investors, according to a Finance Ministry official, and could be followed by link-ups with other foreign institutions which are already holding exploratory talks with Indian financial institutions.

The Indian stock market was closed to all foreigners until recently when it was opened to non-resident Indian-born investors, who are allowed limited stakes.

The Merrill Lynch fund, to be called the India International Fund and run by the government owned Unit Trust of India will have an approved initial capital of $60m. It will bring in investment from wider foreign-based sources, not just Indians, and will be quoted on the London Stock Exchange. But to stop its entry into the stock markets leading to a fresh escalation in prices, the Government will control its investments.

"This is not an open invitation to anyone and everyone to invest in India but it does show that funds can come ⁄'d be properly used," said a senior Government official.

The other way that foreign companies can become indirectly involved in stocks is by taking minority equity stakes, usually of 20 to 40 per cent, in joint ventures with Indian partners which then go to the market for investment finance. Several are Japanese motor industry companies — an issue for Honda was 155 times oversubscribed last year while Yamaba, which has a link-up to produce small electric generating sets with part of the Birla family, attracted a 38 times oversubscription in December.

In an attempt to stem the oversubscriptions, the Government may decide in a few weeks to relax its strict control over the pricing of share issues. At present shares go on the market at par and rise in price fivefold on average when the market opens, using shareholders' funds for speculative deals which could be barnessed for investment.

The heavy oversubscriptions, which result from underpricing, tie up money for three months till unallocated funds are returned to their owners.

"The preseot system leads to companies talking up their own shares on rigged unofficial markets before quotations open," says one stockbroker.

The Government is anxious hoth to protect small investors, and to avoid the finance ministry becoming responsible for picking "best buys" and bailing out undersubscribed issues.

It is trying to devise a way for all existing companies, and new companies being started by existing business bouses, to raise fresh capital at a premium. But it does not yet want to relax the pricing for unknown businessmen and unproven products.

It also wants to spread stock exchanges linked electronically throughout the country so that there is at least one in every state, mopping up activities covered by shareholders' associations in cities such as Jaipur in Rajasthan and Baroda and Rajkot in the neighbouring rich state of Gujarat.

But above all it wants to avoid a crash which could hit investor confidence and the economy just as the country is beginning to depend in a major way on the stock markets for raising crucial infrastructure and other investment funds.

FINANCIAL TIMES SURVEY

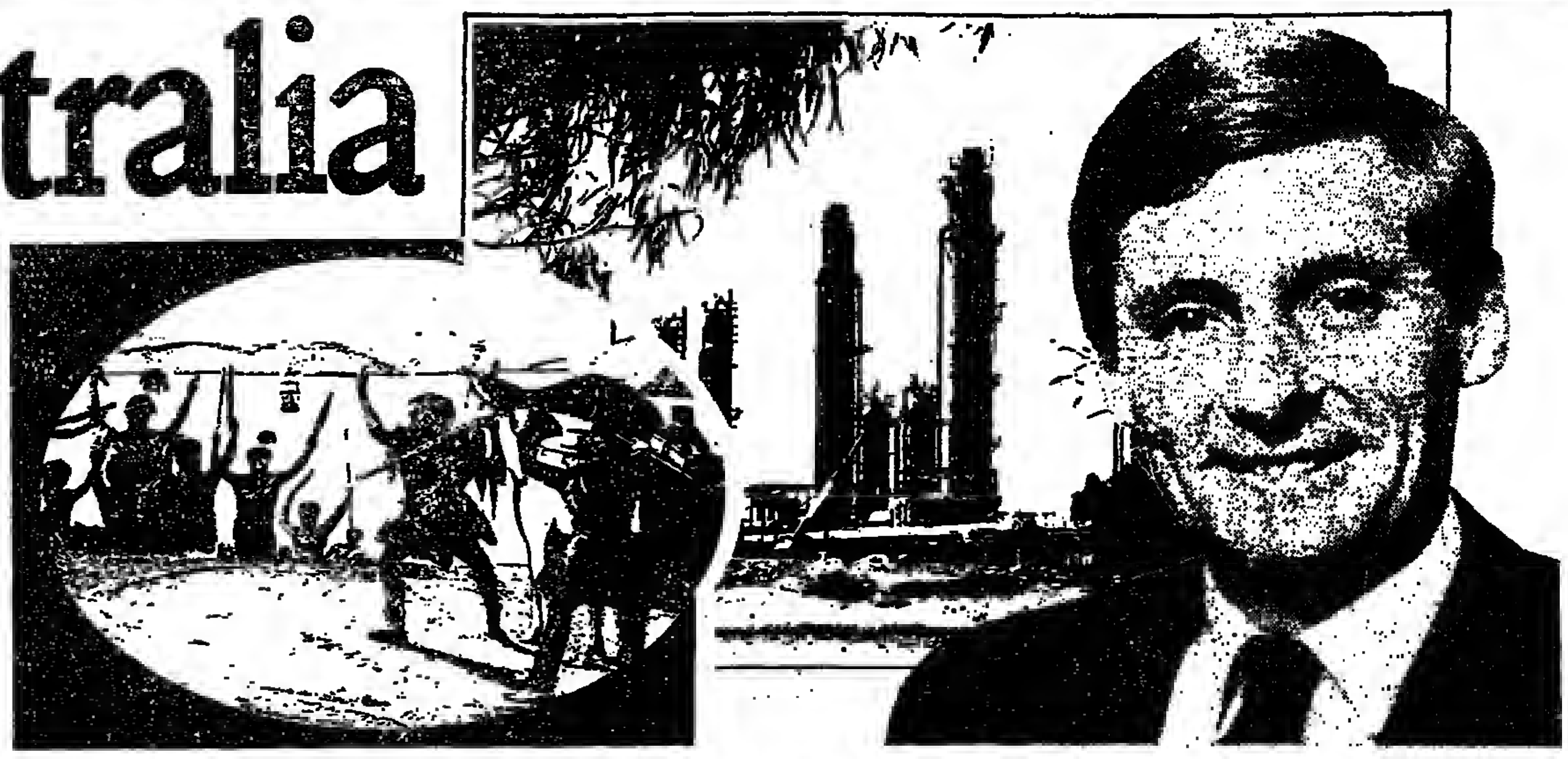
Wednesday March 5 1986

South Australia

A wave of activity in the search for mineral and energy resources encouraged by state premier John Bannon's re-elected government echoes the pathfinding which led to the birth of the settlement 150 years ago

New era for explorers

Survey written by Michael Thompson-Noel



The Eyre expedition (left) to central Australia in 1841, Premier John Bannon (right) is encouraging modern exploration for resources.

Graphic: Phil Hunt

CONTENTED and self-contained, with an acute liking for the good life, South Australia must be one of the privileged places in the southern hemisphere. It is confident and prosperous, and this year celebrates the 150th anniversary of its settlement.

It is not so brash or excitable as the other Australian states, and is none the worse. On the other hand, it has shared in Australia'a burst of growth, and can teach the other states much of what they need to know about modernising their economies.

Three times the size of Japan, hnt with a population of only 1.36m, Sonth Australia was founded in 1836 as a model colony. Followers of Robert Gouger and Edward Gibhon Wakefield, who came to be known as the Systematic Colonisers, maintained that SA was ideal for achieving maximum happiness.

There were exportahle commodities such as coal, wood, bark, salt, seals and whales. In the words of Manning Clark, Australia's best-known historian: "The laws would prevent that dispersion of settlement that had ruined New South Wales, which was also adversely affected by an idle and vicious population who were almost totally unacquainted with the business of agriculture.

"New South Wales had (also) suffered from the use of convicts, whose presence was one of the causes of the inadeqnate supply of labour. In the new colony there would be no convicts. The pious agreed, not hecause of the effect of convicts on supply of labour, but because of their tendency to promote sin."

Worship

In 1832 a prospectus was published for the South Australia Company, formed by George Fife Angas, and in 1834 the British parliament passed an Act that formed SA as a province. As settlera, the aim was to entice the sober and the industrious. The Aboriginals would be introduced to civilisation and Christianity, and Angas advanced £8,000 to a group of pious Prussian Lutherans to enable them to settle in a place of free worship. (They were also bound to Angas as tenant farmers for 30 years, thus uniting philanthropy and profit).

In 1843, copper mines were opened at Burra. Soon, South Australian farmers were giving a lead to agriculture throughont the country. The influx of German settlers produced the lush farms and vineyards of the Barossa Valley, and good bushandry and viticulture gave Sonth Australians a lesa exploitative attitude to the land than other mainland Australians.

Slowly, SA built an infrastructure of road, rail, and river links. But its development, says Bruce Grant, author of The Australian Dilemma, was set hack by Australia's federation. This removed customs barriers and attracted industry to the east, just as the Victorian gold discoveries (and later the discoveries of silver, lead and zinc at Broken Hill, just across the border in New South Wales) had drawn away labour.

By the Second World War, South Australin was among the poorest of the atates, Mr Grant says. Yet the Whyalla shipyards were opened in 1941, followed by a steel works. And after the war a manufacturing sector, built on motor vehicles and whitegoods, came into being during the long (1938-65) premiership of Mr Thomas Playford.

"The remarkable political career of D. A. (Don) Donstan, who was premier in 1967-68 and 1970-79, respoded to an older sense of civilisation in South Australia which was expressed by the biennial Adelaide Festival, still Australia's foremost event of the arts, and by social legislation in which South Australia led the way in Australia in the 1960s and 1970s," Mr Grant says.

"The Dunstan era created an unexpectedly libertarian reputation for South Australia, which also was innovative in establishing special relationships through joint ventures in south-east Asia, especially Malaysia, and the Middle East, notably Libya. For a moment in the 1970s Adelaide, and South Australia, became an exciting place to live, even without all citizens eotirely approving of what was happening."

The quality of life is still one of the best things the state has going for it and a point that is aggressively sold. Adelaide is an attractive and orderly city, its climate almost Mediterranean, its restaurants outstanding and its artistic life full.

After Mr Dunstan retired hecause of ill-health, the state returned to conservative rule in 1979 but was recaptured by the Labor Party in 1982 as the economy deteriorated, with the youthful but wily Mr John Bannon as premier.

Late last year the Bannon Government won re-election after a campaign that demonstrated that the Liberal Party still has not devised a means of upsetting Labor, which under federal Prime Minister Bob Hawke has now ruled Australia since March 1983.

In his main policy speech during last year's state election, Mr Bannon referred to a string of new projects or initiatives that were "putting South Australia on the map."

They included last November's Adelaide motor-racing grand prix, which in state terms amounts almost to a new industry and a A$160m casino-convention centre complex on Adelaide's North Terrace. He also mentioned development of Adelaide's Technology Park, a youth employment scheme, the state's fight against drugs and the A$550m-A$600m uranium-copper-gold project at Roxby Downs—plus initiatives in education, health, welfare, housing, state finance, tourism and the arts.

Mr Bannon also said that Labor was embarking on a "major strengthening and diversification" of Sonth Australia'a mineral and energy wealth. Formerly, South Australia was viewed as ambivalent about the Australian resources boom, apparently lacking the financial and management leadership to compete with the more resource-orientated states like Queensland and Western Australia, and distracted by its long history of successful farming.

That has mostly changed. The Cooper Basin liquids scheme, Australia's higgest on-shore petroleum development, is now solidly into its production phase while there are hopes that petroleum exploration in tha state will continue at record levels in 1986, with expenditure expected to total about A$127m, against A$104m last year, in spite of the weakening of world oil markets.

In addition, the Olympic Dam project at Roxby Downs has received a go-ahead from Western Mining and BP Australia. In a significant breakthrough last November the Ahoriginal owners of 100,000 sq km of the state's far north-west joined a commercial consortium that will spend A$32.5m over five years exploring for oil in the Officer Basin.

Other developments include a haseload power station costing A$900m, and the exploration of alternative energy options. According to Mr Bannon, the state is attracting world attention for its testing programme on gasification of lignite coal.

"If these tests prove successful, we are talking about petro-chemical generation and fuel production developments worth well over A$1bn," he said.

Technology

South Austraila is also fighting for a share of the Royal Australian Navy's A$2.6bn submarine replacement project, which would provide a major stimulus for engineering and electronic industries.

"All the technological and industrial relationa logic points to a construction site in South Australia," claims Mr Bannon.

On the outskirts of Adelaide, the Tchnology Park is seen as the physcical and marketing focus of the state's ambitions in high technology, which are sufficiently marked to have given it a lead over all other Australian states.

A big advantage is that SA is the location of the Australian Defence Research Centre, at Salisbury, and of companies such as Thorn-EMI Electronics, British Aerospace Australia, Fairey Australia, Sola International, Texas Instruments, Phillips, and Andrew Antennas. Further projects in view include a Microelectronics Applications Centre.

The importance of the submarine programme can be illustrated by Thorn-EMI Electronics, part of Thorn EMI Australia, where bndgeted sales for 1986-87 are A$24m.

The company has been a big supplier to the Australian Department of Defence for almost 30 years.

It is heavily involved in the F/A-18 programme for the Australian Air Force, which could yield it contracts worth A$30m to A$40m. In contrast, the suhmarine programme could he worth double that.

In his budget speech last year, Mr Bannon said the state's economy was performing strongly, and that improvements would continne this year. Later, he said new incentive and assistance programmes would retain and generate employment.

Targets set for extra growth

Economy & Development

AN INVITATION to escape into a new way of life went half way around the world in 1835, boasting the merits of the future colony of South Australia, to Britain's small farmers.

An anonymous advertising copywriter promised not to dwell on the circumstances that had plunged honest men into a degraded condition. "I am not going to bother you about the 'corn laws,' nor about the 'malt tax,' nor about the 'national church establishment,' nor about the 'currency question,' nor about Whigs or Tories, or any thing of the kind," he wrote.

"I do not wish to *offend* any of you; and I will not therefore inquire how it is that you got *into* your present deplorable state, but tell you how you may get *out of it*."

A later notice, advertising a free ship's passage for about 20 farm labourers, a blacksmith and slater, stated that the new colony showed "great likelihood of being very advantageous to all industrious Settlers and their Families."

A century-and-a-half later the rhetoric has changed only slightly. A recent brochure from the Department of State Development, said that perhaps SA's "best selling point is the fact that it is an extremely pleasant and healthy place to live and raise a family"—a claim for which there is plenty of evidence.

The message emphasises that SA is in a state of change. It was traditionally dependent on farming, motor vehicles and components, whitegoods manufacturing and food processing, but is emerging as a state with high energy and mineral projects. It is developing high-technology industries, diversifying into middle-sized manufacturing industries, attracting foreign investment, and offering "the best industrial relations record in Australia."

Things were not always so cheerful. When the Bannon Labor Government won office in 1982 the economy was performing poorly. For several years the unemployment rate had been the highest in mainland Australia, employment was declining, housing and construction had slumped, bankruptcies were at record levels and investment was depressed.

But Australia has enjoyed three years of firm growth. The success of the Labor Government in Canberra has rubbed off on SA, which has experienced what the Bannon state Government calls a "significant change in fortunes since the manufacturing crises which hit the state in the last decade."

South Australia's employment profile is fairly similar to Australia as a whole. At May 1985, some 7.7 per cent of the workforce was engaged in farming (against 5.6 per cent nationally), 18.4 per cent in manufacturing (17.1 per cent), 7 per cent in construction (7.3 per cent), 19.6 per cent in wholesaling and retailing (19.9 per cent) and 7.7 per cent in finance and property (9.8 per cent).

However, manufacturing is of key importance to the SA economy, accounting for about 21 per cent of gross state product, more than 75 per cent of its interstate exports and about 30 per cent of overseas exports.

SA lost 9,800 manufacturing jobs in the three years to mid-1979 and then suffered a shake-out between late 1982 and mid-1983. Yet the average level of manufacturing employment rose slightly in the first half of last year, signalling a reversal of the decline and a more promising outlook in some sectors.

According to the Department of State Development, annual labour productivity in SA manufacturing is about 18 per cent higher in real terms than in 1976-77, against a national rise of about 9 per cent. Improvements in SA industry were particularly strong in the transport end equipment industries, and in the basic metal products sector.

Farming also plays an important role in the SA economy, accounting for about 10 to 12 per cent of national farm output, about 9 per cent of gross state product, and about 7.7 per cent of employment. Cereals, especially barley and wheat, plus wool and meat, are the main farm exports, with farm sales accounting for about half the state's export earnings (interstate plus overseas).

In February 1983, bushfires caused A$100m worth of damage to forest plantations alone, and the state was then hit by flooding at the end of Australia's costliest drought. Nevertheless, SA farm production in 1984-85 was 18 per cent higher than in 1981-82, although the good times for farmers have turned sour once more because of high interest rates, rising costs, and poor world prices.

The State Government boasts of a powerful natural resources sector, a manufacturing sector capable of speedy adaptation of new processes, a strong technology base, and a well-developed social infrastructure, including health, education, and training.

But there are also obvious weaknesses in the economy. There is an above-average reliance on agriculture, where performance is variable, and a relatively high dependence on manufacturing industries, which seem likely to receive progressively less federal government assistance and to face greater import competition.

Too much weight is given to production of consumer durables and other products, while the manufacturing base in some non-metropolitan regions is too narrow.

A key feature of the Bannon Government's programme for the next five years will be building on SA's manufacturing base, which ranges from heavy engineering and vehicle component production (General Motors-Holden and Mitsubishi Australia) to white goods (Simpson), and fabricated metal and base metal products.

Of the existing manufacturers, Mitsubishi, for example, is relatively confident of medium-term prospects, whatever the outcome of Canberra's efforts to restructure the Australian car industry.

The car market boomed last year, with total vehicle sales reaching 697,000. Mitsubishi's estimate for total sales in 1986 is more like 620,000, though it says it expects good demand for its own Australian-made models (Magna, Sigma, and Colt) because of last year's depreciation of the Australian dollar, which has bumped up the cost of imported makes.

Mitsubishi hopes to boost production from 260 units per day to about 300 per day by mid-April 1986, and to lift registrations from about 80,000 to 85,000, thanks largely to the success of the Magna and to increased truck sales.

Canberra's car plan doesn't seem to hold much fear for Mitsubishi. "We are seen as a big fish in the small pond of South Australia," says Mr Graeme Longbottom, deputy managing director. "We are a big employer (4,000-plus) and a big user of components."

In a bid to boost export performance, the state hopes to focus attention on key targets. These include chemical and petroleum products, beverages, cereals and animal feedstocks, iron and steel, office machines and automatic data processing equipment, electrical machinery, photographic apparatus, optical instruments, and scientific equipment, telecommunications and sound recording equipment, transport equipment and agricultural machinery, and industrial machinery.

The state Government has already initiated export assistance and incentive programmes, and is creating an organisation to co-ordinate international trade on commercial lines, called South Australia International.

The state Government will also upgrade and extend overseas representation, aiming particularly at the UK and Europe, the West Coast of the US, Japan and Hong Kong.

Promoting SA as Australia's high-technology centre is high on the agenda and so is tourism. Another priority is developing the state's financial base, following the creation of the State Bank of South Australia and the decision by Standard Chartered to develop a head office in Adelaide.

The Bannon Government says that over the next five years the State Bank will aim to boost its role in economic and social development by expanding direct investment in South Australian companies, particularly small-to-medium ones. It will also offer finance and service support for large development projects, provide venture capital as sole financier or with bodies like Enterprise Investments and SAMIC, and establish links with overseas markets.

A key to the Bannon Government's approach is its emphasis on "active partnership" between public and private sectors. It cites the State Bank, the Enterprise Fund, the approach to winning the submarine replacement programme, Adelaide's Technology Park, and SA's Small Business Corporation as examples of the partnership at work.

To judge by the results of the last state election, it is an approach that works well, and one on which the State's prosperity will increasingly be built.

KEY FACTS

- Employment rose 2.6 per cent (14,600 people) in 1985. Unemployment fell from 9.3 per cent to 8.2 per cent.
- New dwelling approvals 15,053 in 1984-85 (11.6 per cent up). Three months to November 1985 private sector approvals 2,675 (18.6 per cent lower). Value of commercial building approvals 1984-85 up 43.3 per cent.
- Motor vehicle registrations 58,803 in year to November 1985 (8.5 per cent higher), which was 8.53 per cent of total Australian registrations.
- Industrial disputes continued at a low level. Days lost in year to August 1985 were 1.2 per cent of the national total (the state has 8.6 per cent of Australian earners). In the year to September 1985, some 53 days per 1,000 workers were lost because of disputes (Australian average 230).
- Population rose by 10,100 to 1.36m in year to March 1985.
- Consumer price index for Adelaide up 2.1 per cent June September last year (2.2 per cent increase nationally). Inflation in year to September 8.4 per cent (national rate 7.6 per cent).

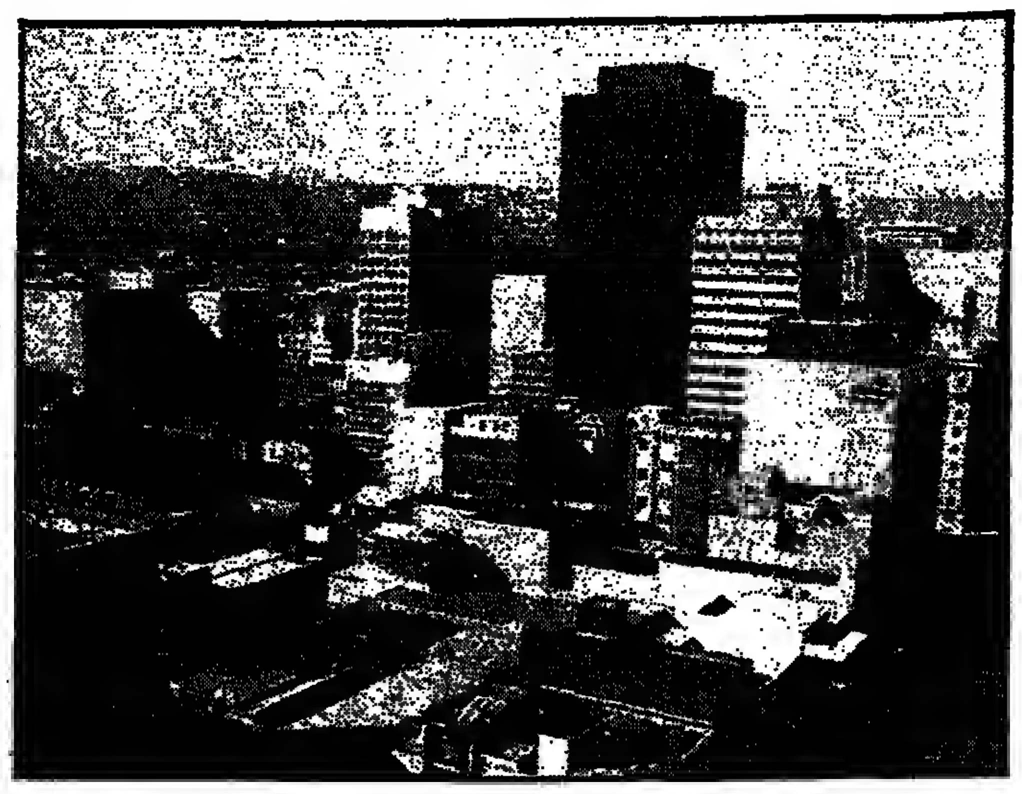
INDUSTRIAL DISPUTES

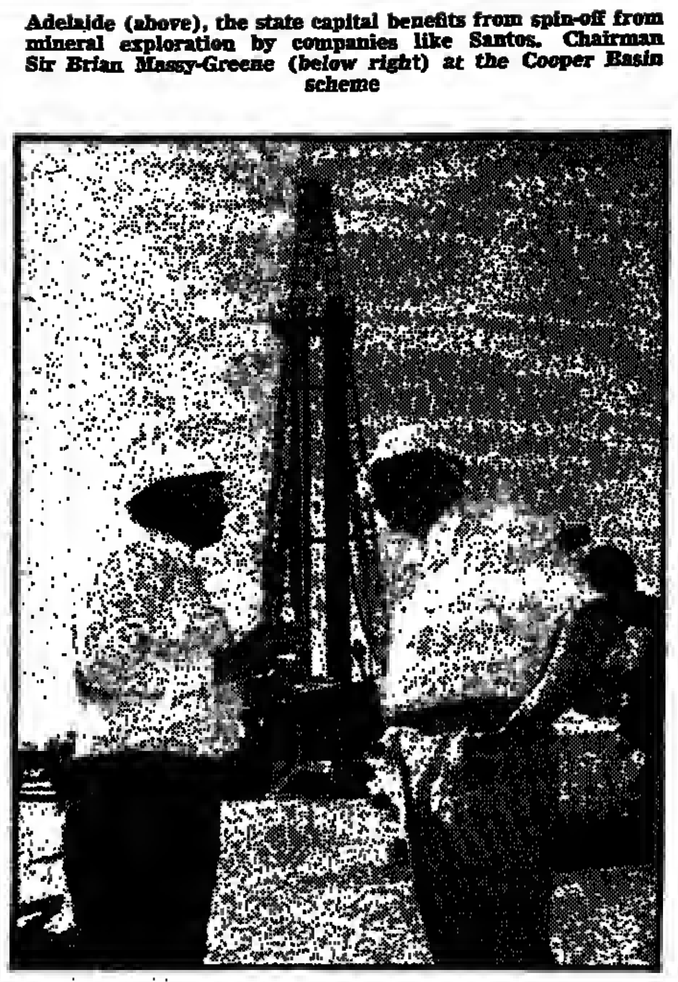
Working day's lost per thousand employees*

12 months to:	SA	NSW	VIC	QLD	WA	TAS	AUST
September 1984	46	307	146	265	428	435	246
September 1985	53	256	156	435	217	187	230

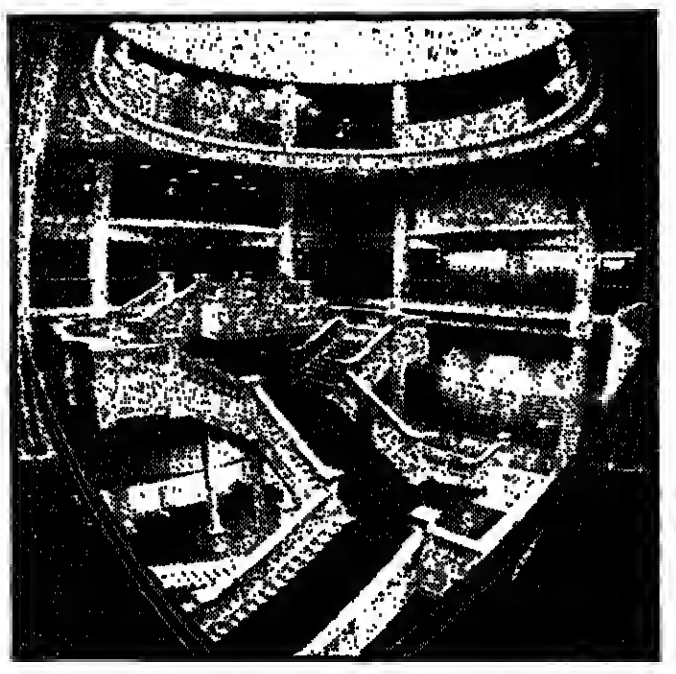
* Excludes agriculture.

Source: SA Economics Unit





Adelaide (above), the state capital benefits from spin-off from mineral exploration by companies like Santos. Chairman Sir Brian Massy-Greene (below right) at the Cooper Basin scheme



Adelaide Law Courts after a A$32m remodelling of a former department store

Local vintage for the parrot pudding

Wine Growing

EARLY AFTER South Australia's settlement as a colony, food was scarce and expensive, having to be imported from Hobart in Tasmania, Sydney, or even India. In 1840, imported flour cost £100 per ton.

Settlers dined off local game—kangeroo, stewed cockatoo, parrot pudding, or "steak off tha leg of an emu" (a large flightless bird). With such exotic fare, came local wine for it was swiftly realised that the soils and climate could help make Australia the "Vineyard of Great Britain."

Wine-making played a prominent role in South Australia's growth, and is still important. The South Australian Company first planted vines in 1837 near the River Torrens, and the Adelaide hills quickly became dotted with them. A key to growth was the industriousness of German settlers.

After 1845 important vineyards were established at McLaren Vale and in the Borossa Valley. The early wine was poor, but expansion continued. By 1856 there were 753 acres planted and by 1866 some 6,361 acres.

Today SA is the country's largest producer. In 1983-84, when Australia produced 396,244 kilolitres of wine, the SA contribution was 234,499 kl.

By world standards, Australia is not a big wine producer. Exports are fairly static, though consumption may still be rising. In 1984 the vintage was a record one, following a return in more normal conditions after the effects of drought, fire and flood on the 1983 vintage.

Mr Len Evans, an Australian wine authority, says that SA now boasts six main wine areas, plus various sub-divisions. The important areas are the Riverland region, the Barossa Valley (whose vintage festival is Australia's jolliest and best known), Clare and Coonawarra, each of which makes excellent reds and whites, the Southern Vales, known for their vintage ports, and the Mount Lofty ranges.

"As two industries develop—the large one concerned with price and the smaller preoccupied with quality—South Australia will play a major role in both," Mr Evans says. Further specialisation would help separate the professionals from the tryers and misguided.

Foreign companies have an important stake, including Philip Morris (which owns Lindemans), Reckitt and Colman (G Gramp trading as Orlando), H J Heinz, Rank Hovis McDougall, United Distillers, Seagram and Remy Martin.

But most of the biggest operators are Australian groups, including Adelaide Steamship Company, Consolidated Co-operative Wineries (a Riverland-based co-op that is big in bulk sales), Thomas Hardy and Sons, and SA Brewing (including Seppelt and Woodley).

The medium-sized wineries are under pressure. This year, with a bumper crop in prospect, more will feel the pinch.

But there is always room for entrepreneurs. One of the best-known is Mr Wolfgang Blass, whose Adelaide-based Wolf Blass Wines International recently teamed up with Remy Martin, taking a 50 per cent stake in the distributor Remy and Associates. Turnover is expected to exceed A$50m (£25m) in the new company's first trading year, with selling and warehouse facilitiee in Queensland, New South Wales, Victoria, South Australia, and Western Australia.

In its first full year as a public company (1984-85), Wolf Blass Wines saw a pre-tax profit of A$5.3m, with the prospect of further solid growth to come.

The two-up pit at Platform One

Adelaide Casino

"HOW'S YOUR little system?" asked the well-clad matron sitting next to me at a table in the new Adelaide Casino, peering at the line of figures in my notebook.

I replied that it was a pleasant little system, modest and refined, but that it would eventually dash itself to pieces on the Law of Large Numbers. Such cultured ambiguity elicited a yawn.

No such ambivalence marks the casino, which opened three months ago and has been exceeding all expectations, attracting daily attendances of 8,000 to 10,000.

Some are tourists but most are local people. So popular is the casino that on some nights long queues form.

There are seven casinos in Australia, of which Adelaide's is probably the most ambitious, marking the first stage of a A$160m complex which will also include offices, a 400-room Hyatt Regency hotel and a 2,500-seat convention centre that will convert into a 4,000-seat indoor sports arena.

The casino was formed out of the old railway station building on the imposing boulevard of North Terrace by ASER Property Trust, a joint venture between the South Australian Superannuation Fund Investment Trust and the Japanese company Kumagi Gumi.

The operator is a company two-thirds owned by ASER and one-third by a local group, Pak-Poy and Kneebone. Genting Casino Resort Hotels is providing management advice.

Genting says the restoration of tha station to its former elegance "provides a sharp and welcome contrast to the majority of (the world's) casinos, with their neon glitter and commercialism," and should help establish Adelaide "on the world map as a total destination city."

This is only part hype, because the casino is impressive, incorporating pink marble from Yugoslavia, Czech chandeliers, and carpets woven from Australian wool to a design used for London's Crystal Palace in 1851. It includes French-designed fabrics, a wine bar with a parquetry floor, and views of the nearby State Parliament building, Festival Plaza, and the Adelaide Hills.

There are more than 400 varieties of South Australian wine on offer, all the usual games, from roulette to moneywheel, are complemented by a "two-up" pit of blackwood, calca granite, and leather-covered bolsters. Two-up is a coin-tossing game whose mindlessness is countered by audience hilarity and cries of: "C'mon, yer mug, ged on with it!"

So great has been the demand for gaming that the casino was due to open an additional 22 roulette and blackjack tables, taking the total almost to 100, while a fresh intake of 100 croupiers was completing a five-week training course.

This means that the casino is now providing more than 1,000 jobs, with plans to expand and at some point become a 24-hour operation. The state Government is expecting an extra attraction to international and interstate visitors "with significant spin-off for tourism."

Takeover experts steam to big time

ADELAIDE is the registered home of three of Australia's best-known and most aggressiva companies—Elders IXL, News Corp and Adelaide Steamship Company—although only Adsteam is still directed from its base camp. A phenomenon of the past decade, it has pushed itself to the highest levels of Australian corporata life through mergers and acquisitions.

The company has retained its marine base, with tug and lighter business around Australia, sharing in the cosy monopolies and duopolies of Australia's port service industries. These draw the steady and reliable cash flows that underpinned its dramatic awakening in the early 1970's, when Mr Joe Winter, chairman, Mr Ken Russell, general manager, and a keen young assistant general maneger Mr John Spalvins, now chief executive, began to apply their minds to growth.

A trigger point was an accumulation of tax losses after its withdrawal from shipbuilding in South Australia and the need to apply fresh taxable earnings to gain the maximum benefit from the seven-year tax holiday these losses provided.

Profile: Adelaide Steamship Co

LACHLAN DRUMMOND

Adsteam has retained a keen ewareness of the benefits of close ettention to tax management—and of obtaining control with *minority* positions—in its rise from earning less than A$3m in 1976 to a net income of A$60m last year. It has a capitalisation of A$1bn and controls a web of associete listed companies with a cumulative market worth of A$2bn.

This has been echieved without any serious call on shareholders for funds. The group relied instead on borrowing and its skills to make sure the under-valued assets it seeks out are quickly back on an upward earning path.

Throughout the transformation, which raised the company into the big league by 1980, Adsteam has retained its identity as an investment holding company—most of its tug ventures are jointly owned—although it has ecquired wholly-owned, but relatively small, operations in timber and building materials and optical goods.

The thrust of its investment drive has been to ecquire a series of often inter-locking minority-control positions and to use these listed associates to carry out the full-scale takeovers and rationalisations that became its trademark. Today Adsteam owns 49 per cent of Australia's np-market department store retailer David Jones (A$50.5m annual earning), which swallowed three smaller retailers after Adsteam *gained control and revived its* fortunes.

The retailer and Adsteam in turn own, respectively, 40 and 49 per cent of DJ's Properties (A$12.1m), a former property company which now has a small specialist retail operation and a 37 per cent holding in tooth and Co (A$33m), of which Adsteam *owns 41 per cent directly*.

Tooth was once a sick brewer—the assets were sold to Elders IXL in 1983 after Tooth had been revived. It is now Australia's biggest winemaker, dominant champagne producer, a property developer and food distributor. It also holds 49 per cent of Petersville Sleigh (A$37m), a rescuscitated and much rationalised light engineering group.

Adsteam in turn ie about 35 per cent owned by its associates, chiefly David Jones. Strung from these companies are joint ventures like Metro Meat, Australia's higgest meat company, which is owned jointly by Tooth and Adsteam. There are also external partnerships in printing inks and fasteners.

The variety of operations is a function of a fairly simple company objective of maximising shareholders wealth based around a five-point investment philosophy. This requires company targets to have sound asset backing, to be in industries fundamental to the economy—preferably not subject to import competition or government protection — to be market leaders or have the capacity in reach that state, have low gearing and a low price/earnings ratio.

In the recent bull market in Australia, Adsteam's takeover wings have been clipped in the public company arena. But it has kept up its interest by taking an indirect part in Mr Robert Holmes a Court's assault on BHP after building up a 7 per cent stake and then pledging to sell this holding to Mr Holmes a Court.

With Australia looking too expensive, Mr Spalvins and his team are looking at investment opportunities in the US and UK in their hunt for under-performing and under-valued companies.

Optimism shines out of gloom

Mining & Resources

LUCRATIVE mineral resources, in South Australia include oil, gas, coal, iron ore, opal, copper, zinc, gold and uranium. In the current climate of depressed energy and mineral prices, sucb a blessing of assets can be mixed, but there is no disguising the enthusiasm witb which Mr Ron Payne, the stete's Mines and Energy Minister, rattles off projects valued at more than A$1.8bn (£900m) due for start-up during the new four-year term of the Bennon Government.

Four of these will provide 4,500 jobs at the peak of construction, and more than 1,700 permanent jobs — Stage I of the Olympic Dem uranium-gold-and-copper mine; a new coalfield and baseload power station; a third unit at the Northern Power Station at Port Augusta; and an electricity interconnection system.

He says the state goveroment will:

- Deliver Stage I of Olympic Dam, a A$550-A$600m joint venture between Western Mining Corporation and BP Australia.
- Maintain the office established within the Department of State Development to maximise South Australian industry's involvement in Olympic Dam, and extend this service to other major projects.
- Choose the coalfield and start construction of a A$900m baseload power station in readiness for operation by 1995.
- Construct a third 250 Mw unit at the Northern Power Station, a A$280m project.
- Start work in 1986-87 on a A$102m electricity connection system with Victoria.
- Complete a study with a German consortium into the feasibility of gasifyiog coal and evaluating suitability for combined cycle power generation, as well as production of liquid fuels and petrochemicals.
- Cut naturel gas prices from January 1 this year, introducing three years of price stability.
- Preserve the State's shareholding in the South Australian Oil and Gas Corporation.

The state will also do what it can to encourage even greater exploration for oil and gas. In spite of uncertainty in world energy markets, the minister is still confident that petroleum exploration in South Australia will continue at record levels in 1986.

Exploration expenditure in the state's 15 onshore exploration areas and three offshore permit areas is expected to total about A$127m and up to 52 exploration and appraisal wells are scheduled for drilling. This compares with 48 exploration and appraisal wells last year at an estimated cost of A$104m.

Mr Payne says that while the Cooper and Eromanga Basins would again account for the bulk of exploration activity in 1986, there would be a much higher degree of activity in other areas.

"Almost a quarter of the wells and about one-third of the seismic surveying in 1986 will occur in licence and permit areas outside the Cooper region, the best level of activity in non-Cooper areas of the state for many years."

Three licences have been issued for areas as far west as the West Australian border, and big programmes are in progress in the north-west, including the first licence on the Pitjantjatjara Aboriginals' land. Offshore drilling has also resumed after a lull of two years.

None of this lessens the mood of glumness into which the Australian mining industry has slipped, bowever. The Australian *Mining Industry Council* says mining had doubled its asset base over the last four years, yet seen its returns balved.

Excluding oil and gas, expenditure on fixed assets in 1984-85, at A$1.8bn, was 14 per cent down on 1983-84, while total exploration expenditure fell by 11 per cent in 1984-85 to A$254m, with a further fall forecast for 1985-86, to A$218m.

The mining industry benefitted greatly from last year's sharp depreciation of the Australian dollar but gains were partly offset by exchange losses on foreign borrowings, higher interest charges and the higher cost of imported raw materiels *plus machinery*.

Miners want a number of reforms. These involve an end to centralised wage-setting, abandonment of foreign investment guidelines, big cuts in government expenditure to help reduce interest rates, and introduction of tax deductibility for foreign exchange losses. They also want a marked reduction in government charges and imposts, including abolition of fuel excises, the coal export duty, and export controls.

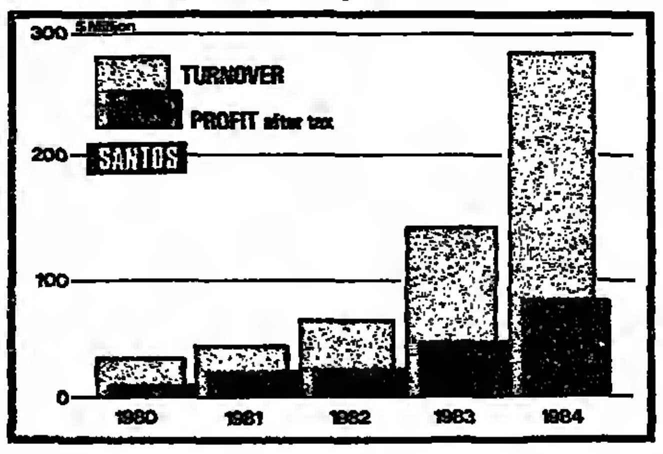
In spite of all this, there is optimism in South Australia, stemming from the start up of the Cooper Basin oil and gas scheme—the largest onshore petroleum development in the country—and the go-ahead at Olympic Dam.

In 1984, the value of SA mineral production totalled A$755m, some 40 per cent greater than the record set the year before. The figure reflected higher output of most commodities but it also embraced the first full year's production of petroleum liquids from the Cooper Basin.

At e recent estimate, South Australia's Cooper-Eromanga region boasted proven and probable recoverable reserves of 30,380bn cu ft of gas, 260m barrels of natural gas liquids, and 48m barrels of primary recovery crude.

Together with Delhi Petroleum, wbicb is part of CSR, the key partner in the Cooper Basin is Santos, founded in South Australia more than 30 years ago and now Australia's leading on-shore petroleum exploration and production company.

The impact of the Cooper Basin project shows through in Santos's most recent six-months results to last June 30. Revenue is up 139 per cent at A$242.2m, net profit up 31 per cent at A$38.6m, and a boost in interim dividend from 7 cents to 9 cents per share.



Last year, Santos spent A$75m on 82 exploration wells. This year it expects to push ahead with 94 wells, mostly in South Australia and Queensland, but also in Western Australia and the Northern Territory. In 1983, almost all its exploration acreage was in the Cooper Basin, but its growth has been such that now one-third is in non-traditional areas elsewhere.

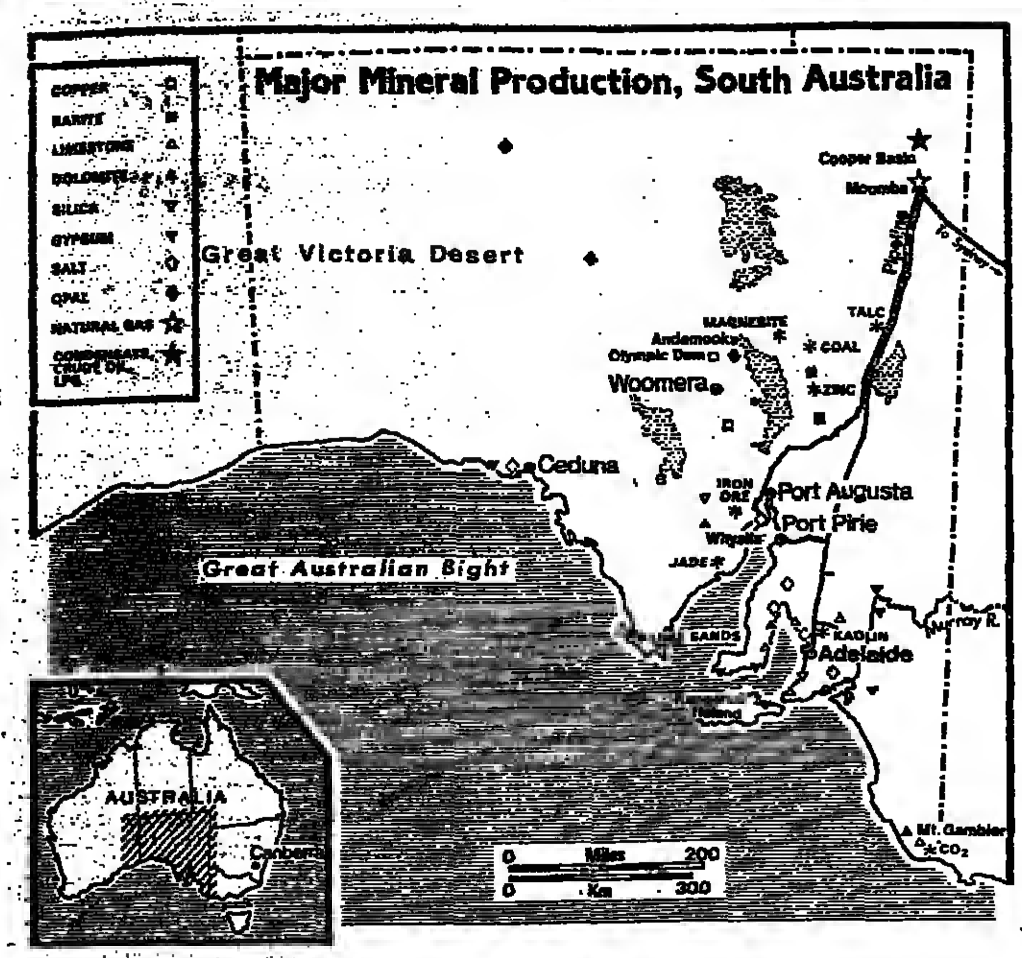
Its total exploration portfolio is equivalent to two-thirds the size of Texas. It says that so far, soft oil prices have not dented its exploration programmes, but that if the oil price stabilised at US$18 to US$20 a barrel, it would have to reassess its plans.

Three years ago, the company's petroleum production was confined to South Australia, but with the completion in 1984 of the Jackson-to-Moonie pipeline, south-western Queensland became another important oil-producing region for the company.

Last year, Santos made a A$168m, one-for-four rights issue. As a result, it will be well cashed up by mid-1986, now that it has fully digested Reef Oil and Alliance Oil Development Australia.

It says it is facing a period of big change. First, the Cooper Basin project is solidly into its production phase, and yielding good dividends. Second, it is looking offshore at significant oil plays, and hoping that discoveries such as the Talisman No 1 find in the Carnarvon Basin, off Western Australia, will prove viable. Third, having digested Reef and Alliance, it is pondering where to look next in terms of acquisition and development.

Santos itself is well-protected. By law, no outside group or individual may acquire more than 15 per cent of its capital. Conversely, it suffers no restrictions when deciding how or where to spend its own money.



PROFILE: OLYMPIC DAM, ROXBY DOWNS

Pride and jobs ride on multi-mineral discovery

MUCH HAS CHANGED in the two years since Mr Cliff Dolan, president of the Australian Council of Trade Unions, threatened to block South Australia's big Olympic Dam nranium/copper/gold project.

Mr Dolan has retired and the ruling Australian Labor Party is no longer stridently opposed to the mining and export of uranium. The Olympic Dam find at Roxby Downs, in the arid country north of Woomera, received a final go-ahead early last December from the joint venturers, Western Mining Corporation (51 per cent) and BP Australia.

There had been much bitterness over Labor's contortions on *uranium*, particularly when Federal Government approval for Olympic Dam was granted at the expense of uranium discoveries elsewhere in Australia.

Mr Anthony Grey, chairman of fast-growing Pancontinental Mining, with a uranium find at Jabiluka, Northern Territory, blocked by current policy, had said Labor's wrangling was nonsensical.

"Labor has beaten the alchemists and created a new element—'good' uranium," be said. "As at Roxby Downs, 'good' uranium is that which is mined in conjunction with other minerals. 'Bad' uranium is that found on its own."

Yet Olympic Dam is now a fact of life, even though on a more modest scale than envisaged because of the state of the world copper and uranium markets.

Stage I involves an ivestment of A$550m to A$690m (£275m to £300m). This envisages a likely start to gold production by mid-1987, and uranium and copper production a year later. Initial annual production targets are for np to 2,000 tonnes of nranium oxide (yellowcake), 55,000 tonnes of copper, and about 90,000 ounces of gold.

Sir Arvi Parbo, chairman and managing director of Western Mining, says Stage I is geared to the market for uranium but that he hopes higher production will be possible in the 1990s.

The partners are working hard on uranium and copper contracts, with the uranium destined for nuclear power ntilities abroad and the copper for customers in Europe, the Far East, and Australia.

Even in reduced form, Olympic Dam represents e shot in the arm for the South Australian economy. Apart from the mine there will be a new township for 3,000. Stage I is expected to generate 2,000 construction jobs and permanent employment for 1,000.

The discovery of Olympic Dam—which was a major feat of geological detective work—followed a programme started by Western Mining in South Australia in 1972. Three years later the first drilling hole at Olympic Dam encountered low-grade copper at a depth of 353 metres.

According to the partners: "Further drilling has identified an area of mineralisation covering about 20 sq km estimated to contain more than 2bn tonnes with an average grade of 1.6 per cent copper, 600 grams of uranium oxide per tonne, and 0.6 grams per tonne of gold. This is a very large deposit by world standards."

On some calculations the *mine's life could strech for 200 years.*

In July 1979 Western Mining brought in BP Australia, which in return for a 49 per cent interest put up A$50m for preliminary work and arranged finance for the mine's subsequent development.

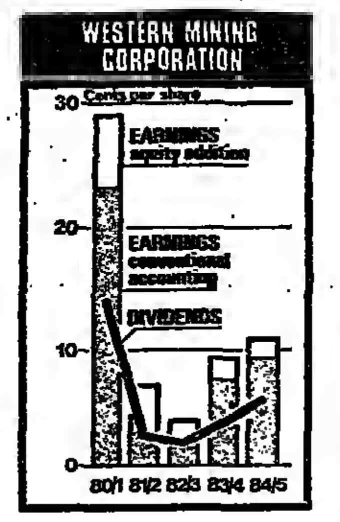
Apart from Olympic Dam, Western Mining's interests include extensive nickel and gold properties plus 30.5 per cent of Alcoa of Australia, an integrated aluminium producer.

In spite of problems in world metal markets, things are not too bad at Western Mining. In its latest half-year (28 weeks ended December 31 1985), consolidated attributable operating profit was 82.6 per cent higher at A$25.2m and its annualised return on shareholders' funds was 4.8 per cent against 2.9 per cent previously.

Factors which favourably affected the half-year result included higher gold and nickel prices in Australian dollar terms, sales by Central Norseman Gold Corporation up 11.1 per cent at 64,913 ounces, and a lower write-off or provision for exploration expenditure, due mainly to a reduction in petroleum expenditure.

Factors which adversely affected the result included lower sales of nickel and gold (except at Central Norseman), higher operating costs, higher depreciation, and higher amortisation of exchange losses on overseas borrowings (A$12.5m against A$8.3m), due to a lower A$-US$ exchange rate.

There is more riding on the success of Olympic Dam than the well-being of the partners. What is also involved is state pride and jobs.



Historic partnership agreement

Aboriginal Land Rights

THE traditional Aboriginal owners of 100,000 sq km of South Australia's far north-west signed documents last November linking them to a consortium of four companies that will spend A$32.5m (£16.3m) over five years drilling for oil in the Officer Basin.

This breakthrough in resource development on Aboriginal land in South Australia was an historic event, according to Mr Yami Lester, an Aboriginal elder.

To the mining industry, however, the agreement was another stab in the back, adding "a new and uncomfortable dimension to the Aboriginal land rights issue."

To others it was evidence that Aboriginal rights need not interfere excessively with mining exploration, nor "choke development and deter investment," as the mining industry has claimed.

Aboriginals have freehold title to 8.2 per cent of Australia's land. Another 1.4 per cent is being granted as freehold, or is set aside as reserves, or as leasehold with the same title as other landholders.

The petroleum exploration licence (called PEL 29) granted last November will be held by a consortium of AMOCO Australia Petroleum Company (50 per cent), AP Oil (20 per cent), Crusader Oil (15 per cent), and Quadrant Energy Development (15 per cent). Drilling of the first five wells will start soon. The agreement covers 20,749 sq kms of the Officer Basin.

The unique feature of the agreement is that AP Oil is the Pitjantjatjara Aboriginals' own exploration company. Its 20 per cent participation will be a "carried interest" funded by the other parties. If exploration is successful, the Pitjantjatjara will have the right to elect to pay 40 per cent of all previous joint costs so as to maintain their 20 per cent equity interest, or to take a 10 per cent net profits stake.

Mr John Bannon, the state's Premier, added that the agreement "vindicates by Government's rejection of Opposition pressure to unilaterally amend the Pitjantjatjara Land Rights Act. We have always maintained that the legislation has never been properly tested and given a chance to work.

"The events (of last November) demonstrate that with goodwill and a commonsense approach, the Act can operate for the benefit of the Pitjantjatjara, the exploration industry, and the state."

Mr Lester added. "We have had to look at new ways to cope with companies wanting to enter and explore our lands."

A previous attempt to agree access with Broken Hill Proprietary, Australia's largest company and now under siege by Mr Robert Holmes à Court, failed in the face of BHP's "heavybandedness."

"After that bad experience we decided to take the initiative and apply for the petroleum licence ourselves," he said. "We went out to find companies to join us which could fund initial exploration and provide the necessary expertise.

"We are full participants, with a 20 per cent share. We have a primary agreement guaranteeing that our secred places and our communities will not be interfered with by this work."

The agreement is the first in Australia, and said to be similar to agreements in North America. Mr Lester says the licence bas widespread application, and that once Aboriginal land owners and the exploration industry become familiar with its benefits, it was likely to be reproduced elsewbere.

Across Australie, bowever, the land rigbts movement is losing momentum.

The director-general of the South Australian Department of Mines and Energy says: "It is a matter of concern that 19 per cent of the state is Aboriginal lands on which there has been no exploration since their dedication; 13 per cent is occupied by unallotted Crown lands for which there *are suggestions* that they are availeble for Aboriginal land claims; 10 per cent is covered by national existing or proposed parks and conservation parks; 2.5 per cent is listed on the Register of the National Estate, and access to parts of the remainder is restricted or denied by a number of State Acts."

The SA Chamber of Mines and Energy is "vitally concerned" about access for mineral exploretion and development, and claims that the Pitjantjatjera land rights legislation "bas effectively denied access to perts of the Officer Basin since the *discovery* of oil shows by the Department of Mines and Energy in 1979."

It criticises references to BHP's heavybandedness and says PEL 29 means that to gain access to Aboriginal lands for exploration, "incomiog companies can expect to incur exploration costs 25 per cent above whet they would otherwise expect to incur on Crown laod or on any otber available land in South Australia."

***Standard Chartered Australia:** Invited to apply for a coveted Australian banking licence, Standard Chartered Australia has chosen Adelaide as its Australian base.*

***Australian Formula One Grand Prix:** "Adelaide has done the best job in the world and to do it first time out it something else." Keke Rosberg, winner of the first World Championship Australian Formula One Grand Prix, November 1985.*

***The Prince Philip Prize for Australian Design:** In a country with six states, South Australia consistently outshines its interstate counterparts when it comes to awards for innovation. Last year alone, South Australia won five of the fifteen prestigious Prince Philip Prizes for Australian Design.*

***Simpson:** Australia's oldest whitegoods manufacturer. Now marketing in the U.K. Recently concluded a joint venture agreement with China, making Simpson the first Australian company to manufacture washing machines in that country for the Chinese market.*

***British Aerospace Australia:** An all Australian company dedicated to the support of the Australian Defence Force. Experts in systems engineering and the design and manufacture of military and space electronic systems.*

MADE IN SOUTH AUSTRALIA

***THORN EMI Electronics Australia:** A major defence electronics company specialising in development and manufacture of sonar, electronic warfare and avionics systems.*

***F. H. Faulding & Co.:** The Faulding Company exports pharmaceutical technology world-wide. Recently signed a supply agreement in the U.K. and has established a subsidiary in Warwick, England for intravenous drugs.*

***Elders IXL:** Pro-active company with brewing, agricultural, trade, finance and resources concerns. Shareholder and employee concerns a high priority.*

***Sola Optical:** World's largest producer of plastic ophthalmic and sun-glass lenses. Manufacturing in eleven countries. Four times winner of awards for Outstanding Export Achievement. Now a member of the Pilkington Group.*

***Fairey Australasia:** Designers and manufacturers of electronic, optronic, mechanical and electro-mechanical defence related systems and equipment. Precision mechanical and optical components manufacturer.*

***General Motors-Holden's:** General Motors-Holden's origins in South Australia date back to the early 1900s. Today GMH exports to the world, including Australian-designed wagon components to Vauxhall in the U.K. where they are assembled as the Cavalier Estate Car.*

The companies shown on this page are among hundreds which have chosen South Australia as their base for Australia and the Pacific rim.

Why?

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Because of our expertise in these fields, South Australia has become known as a centre of technological excellence. As part of this programme, Technology Park Adelaide was established as Australia's first campus-style industrial park and has the facilities, resources and support that are attracting high-technology companies from around the world.

South Australia is the home of Australia's defence industry. British Aerospace Australia, THORN EMI Electronics Australia and Fairey Australasia are in the forefront of defence research, engineering and electronics. The presence of such companies is spawning new industries and opportunities.

But South Australia is more than a State of business and high-technology. It is a State with an attitude of mind that breeds success. Winning the first Australian Formula One Grand Prix for Adelaide wasn't just a stroke of luck. It was the result of sound and imaginative planning for a financially successful venture.

Most importantly, South Australia is a State with a quality of life that has attracted many British and European people who have seen futures for themselves and their children.

We'd like to give you even more examples of why South Australia is a good base from which to do business and to show you how our carefully tailored incentives can ensure that your company 'makes it' in South Australia too.

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Ogilvy DSD 0063

THE ARTS

Television/Christopher Dunkley

There is no mistaking the change of scene

The time has come to celebrate *Screen Two*. The roundabout has turned, the swings have swung, and the BBC is back on top. In terms of quality, that is, or prestige because — ironically in view of all the wild talk recently about "BBC ratings victories" — not only is the BBC share of the audience still below 46 per cent this year as it was last year, it is actually slightly worse now than 12 months ago. In the third week of February 1985 BBC1 took a 37.1 per cent share and this year it took 37.3 per cent, but BBC2's 8.8 per cent in 1985 slipped to 8.1 per cent this year, so overall the BBC share is half a percentage point down.

What is more, whereas BBC2 was nearly 2 per cent ahead of Channel 4 last year, this year it is 2 per cent behind. To be honest, there has been only one significant change in the ratings: *East Enders* has overtaken *Coronation Street* because the BBC soap opera adds on the figures for its weekend repeat; the ITV series has no repeat.

The effect of this in BARB's current monthly Top 50 figures is to give *East Enders* a clean sweep of the Top 10. No doubt that provides a huge psychological fillip for the BBC, even though 32 of the next 40 slots are filled by ITV.

Although ITV is still taking the larger share of the audience, the scene has changed radically since those days when all the talk was about the marvellous quality of ITV's *Jewel In The Crown* and *Brideshead Revisited*. Today, if you look specifically at drama, there is no mistaking that the most exciting and impressive work is coming from the BBC.

What has ITV brought us this season? Another series of *Taggart* in which the dour little Scots detective with a chip on his shoulder hunts for a murderer who leaves his female victims lying about on waste land while we follow the activities of a suspect who turns out not to be the murderer. That was also the synopsis of the first series. There is another series of *Auf Wiedersehen Pet*, too, but the first episode was so slow that I managed to watch most of the *Nine O'Clock News* (the BBC's news is still well below par) without seeming to miss anything significant.

Of the really fresh ITV material, *Prospects* looks perilously like a series prepared too meticulously to a formula: two male leads, London East End settings, shot on film, semi-criminal milieu, lots of dashing about in cars, and laid-back jokey dialogue. Its trouble is, although made by the same company as *Minder* (Thames subsidiary Euston Films) it has none of the same flair.

Channel 4's *Mr Pye* would have delighted my Auntie Ethel who would have considered it the best thing since *Mapp and Lucia*, declaring "My dear, it's full of such wonderful characters." Myself, I am sick to death of "wonderful character," a phrase too often taken as licence to go over the top, as in the case of the Albanian cook, played here by Patricia Hayes as a gibbering lunatic. *Bown* is acceptable enough, but it hardly lashes you to your chair, however keen you may be on Michael Elphick.

Of course the BBC also has its run-of-the-mill drama. *The Collectors* is a new Saturday series about customs officers with Peter McEnery playing the tough new broom with a not so secretly painful past. *Hideaway* seems to have taken over from *Dead Head* as the BBC series which offers unnecessarily explicit violence: we know perfectly well that the Dutch heavies are tough and nasty without needing to see them throwing someone through a windscreen or force-feeding gin to somebody else.

Lovejoy is in many ways a conventional series, yet its locations, its odd background in the antiques business, and its quiet charm have taken me back to it more often than I expected. *Artists And Models* was not conventional: it is questionable whether this was drama, documentary, or arts programme. Leslie Megahey found a way of setting the work of three famous French painters in social and historical context in such a way that it also made good sense to take long, careful looks at their paintings.

Though *Lovejoy* and *Artists And Models* have been impressive, the BBC list so far would hardly prove the Corporation to be cock of the walk. But when you look at *Screen Two* there is no doubt. This Sunday night series on BBC2, offering feature length dramas shot on film, is at last succeeding in doing what I have so often complained television has failed to do: week by week it is providing the sort of varied entertainment which the regular and reasonably demanding cinemagoer used to expect, and often get, from his local Essoldo.

Naturally enough the standard varies, as does the content, but there has not yet been a real dud. *The Silent Twins* was a drama documentary about girl twins who refused to speak to the outside world, dabbled in arson, and ended up in Broadmoor. The strength here was the uniqueness of the story. *Song of Experience* was another of those scrupulously reconstructed 1950s steam train dramas itemising the agonies of adolescence. *Frankie and Johnnie* was one of the best of the recent spate of thrillers about corruption in high places.

Last Sunday's offering, *Hotel du Lac*, made me, having never read the book, wonder how it ever won the Booker Prize. However, the acting by a splendid cast — Anna Massey, Patricia Hodge, Denholm Elliott, Googie Withers and Julia McKenzie (wonderful as mother and daughter), Irene Handl trimming a mouthful of spaghetti with scissors — was a pleasure in itself, as was the smarmy photography in Alpine lakeland.

The series reached its peak, however, in the previous week with *Insurance Man*, another tremendous triumph for writer Alan Bennett, producer Innes Lloyd, and cameraman Nat Crosby, who were previously responsible for that superb production *An Englishman Abroad*, directed — *Englishman* and

Of course John Schlesinger famously "created" Moscow out of Dundee and other British locations. Richard Eyre followed suit with *Insurance Man*, achieving an astonishingly convincing central European feel for the insurance claims office and the crowds peopling it.

Crosby shot it strikingly, as though working for Eisenstein in lucid blue monochrome. Bennett's gristly plot dealt with both his own story of bureaucratic obscurantism frustrating a dye-worker with a skin ailment, and with the essence of Kafka. If British television in 1986 comes up with another drama as outstanding as this it will have been an abnormally rich year.

*

Willingness to change your mind is a strength, not a weakness. Only the stupid or the blinkered continue, despite new evidence, to think the same way about everything for ever. How refreshing, then, to find two of the men running Britain's television channels publicly indicating changed minds in one week.

Announcing the abandonment of the plan to drop their existing weekly political programme, Jeremy Isaacs, Channel 4's chief executive, said: "We have frankly changed our minds about *A Week In Politics*. The domestic political scene, with an election approaching, is just too interesting for us to drop our specialised weekly programme."

And on the Radio 4 programme *Feedback* Michael Grade, Controller of BBC1, announced a U-turn in the BBC's attitude towards more advanced warnings for viewers who might find programme content objectionable. He said: "I think it is absolutely vital if we are to preserve the range of programmes that we produce at the moment that we give the viewers much more clear information about the sort of programme they are about to watch so that they can make the decision for themselves."

It has long been my view that the way to deal with violent, outspoken, or sexually explicit programmes is to ensure that viewers can, if they wish, be forewarned so that only the uncaring or those deliberately choosing to watch will see the supposedly "objectionable" material. For reasons best known to themselves BBC chiefs have always opposed this. That they have finally changed their minds is another reason for celebration.

Julia McKenzie and Googie Withers in "Hotel du Lac"

The Saxon Shore/Almeida

Michael Coveney

Strange happenings in the shadow of Hadrian's Wall in the first decade of the 5th century AD: an expedition of werewolves lick their bloody lips after a successful foray north of the border; one of them peels off, Athdark the loyal Roman Briton who has an iron flint in his side and an irritation to his hairy skin — must be the price of dressing in wolf and woad; a pastoral leader, Lugovelin, lectures his flock on the stoning of Neboth and underlines the Biblican metaphor of possessing the land you inhabit.

The year is 406, and the action of David Rudkin's ambitious and tantalising new play for Pierre Audi's beleaguered, invaluable Almeida covers the last few years of the Roman occupation. The Saxon shore was the line of fortification facing the Saxon threat. The use of the word "Saxon" itself is something I feel Rudkin might have clarified. It is like reading those chapters in Bede where the Scots are in fact the Irish, the Picts the Scots.

At a deeper level, though Rudkin is offering an imaginative exercise in national identity as the imperial force retreats. The confusions are shared by the inhabitants and represented vividly in the schizophrenia of Athdark, whom Gerard Murphy invests with another of his headlong self-immolating performances, bursting with fire and conviction. He resembles an early Peer Gynt, not least when his mother (Pauline Delany) despatches him across the crags in search of a goat.

Nearer home, the lost Britain of *King Lear* is invoked in the sombre death of an old sage, borne on a sedan chair while mourned by his daughter Ceirled (Joely Richardson), a druidic priestess who encounters Athdark as she tends her shrine. There are processional scenes of black-cowled acolytes bearing torches, the transportation of Athdark to a community he takes to be Paradise and his vision of their shining city of light, and the reception of the Emperor Honorius's letter announcing the Roman withdrawal. Beacons are extinguished along the wall.

The powers of curative evangelism and geological confusion in a Celtic twilight relate this piece to Rudkin's malformed post-holocaust *Sons of Light*. This, in spite of an occasional muffled articulation, is similar in its inventive linguistic properties. Athdark is painfully trying to learn Latin while the rest—Welsh, Scots, Saxons on either side of the wall—speak an arresting poetic argot that smacks of how the Celtic languages of our ancestral islanders sounded before the Germanic and Norse infiltrations.

The brick interior of the Almeida excitingly evokes the Saxon wall and Hildegard Bechtler's design provides a pyramidical rampart and various levels among the scattered rubble, all brilliantly illuminated in eerie green, flaming orange and searing bright light by Jenny Kalmao. There is a little neutrally atmospheric music on tape by Oliver Knussen.

Apart from Mr Murphy, Pierre Audi's cast does the author proud without access to the extravagances of *Sons of Light*. Jonathan Kent is a steely persuasive pastor, John Rogan an amusingly anachronistic Roman officer. The indisposed Robert Eddison has been replaced by Ian McDiarmid, script in hand, a distinguished and forceful understudy.

Alastair Muir

Gerard Murphy

Penderecki/Royal Academy of Music

Richard Fairman

The capital is buzzing with contemporary music at the moment. Last week it was Henze and now it is the turn of Krzysztof Penderecki, for whom the Royal Academy of Music has prepared a retrospective featuring a wide selection of works, some conducted by the composer himself.

Perhaps retrospective is not the right word. For this small festival is doing the composer a double service by introducing some pieces which are new to this country. Of these, none is likely to prove more important —or more tantalising—than the short suite of movements taken from the opera *Paradise Lost*, a work of epic proportions. Premiered in Chicago in 1978 and taken up with alacrity by *La Scala, Milan*, this major enterprise seems to have fallen quickly by the wayside.

Why that should be so is not entirely clear. To judge from these excerpts, the score is approachable and easy to grasp, even to a fault. Nothing could seem more strangely familiar than its opening Prelude, where we are led into the forest of Wagner's *Siegfried*, the atmosphere dark and foreboding, the air heavy with the sounds of bassoons and cellos stirring from the deep. Even the chromatic motif sounds the same.

As in the Ring, this heralds the unfolding of a grand romantic drama. But the excerpts move us quickly to the end of the opera, where Milton's Adam and Eve see an apocalyptic vision of Earth's misfortunes, accompanied by the "Dies Irae" and an all too obvious array of thundering timpani. The musical ideas come too slowly to make a convincing suite, but amid the trappings of a regal operatic evening the story might well be different.

So broad a scale of invention is not typical of Penderecki's music. In the other London première of the concert—the *Canticum Canticorum Salomonis* of 1973—we had all the block choral writing in quartertones and novel orchestral effects which are more characteristic of the composer's mature style. The Royal Academy Opera Chorus were taking no chances here and had armed themselves with a battery of tuning-forks.

Elsewhere performance standards under conductors Nicholas Cleobury and Penderecki himself seemed well able to cope. Only the soloists in *Paradise Lost* were stretched by the technical difficulties they encountered in the extreme (and none too rewarding) vocal writing of their roles. As a fellow Polish musician, Chopin is paired with Penderecki in this festival and the series of concerts, both orchestral and chamber, continues until Thursday.

Milwaukee S O/Barbican

Dominic Gill

The Milwaukee Symphony Orchestra was originally founded in 1956 as the Milwaukee Pops Orchestra (an offshoot of Arthur Fiedler's Boston Pops). Three years later the name was changed; and under a succession of music directors, most recently under the baton of Lukas Foss, the orchestra has emerged as a band to be reckoned with: of worthy international status, heard nationwide across the US, and here too, not infrequently, on the BBC.

They are an unusually well balanced orchestra, with full, solid strings, warm brass, nicely graded woodwind. They opened on Monday with Copland's *Fanfare for the Common Man*, and an expansive, relaxed account of Charles Ives's *Decoration Day*: unforced, perfectly tuned, good to listen to.

Nigel Kennedy — "Britain's foremost violinist" as his biographical note would have us believe — was the soloist in Bruch's concerto. The performance was admirable in many ways; fluent, and in the adagio especially of rich and vibrant tone. But it was one-dimensional "fine playing," well made, well tuned, technically polished — and almost entirely without individual personality or stamp. One had the uncanny sense throughout the concerto, but especially in the last movement, of being present at the final round of a competition which the best student of the year had won.

Lukas Foss is one of those erratic, instinctive conductors whose performances seem to succeed or fail for none of the obvious reasons. They are, by and large, the most rewarding sort, for their best productions are shrouded in a delicious mystery. It was not a great performance of Beethoven's seventh symphony which the Milwaukee gave as their finale under Foss; but it had style and vision, it was strongly sustained, and it had a beautiful lyrical flow. It also had a resonance which lingered

New York City Ballet

David Vaughan

The New York City Ballet's winter season ended on Sunday 23 February, with a benefit performance for the Dancers' Emergency Fund. The performance was dedicated by the dancers to the memory of Joseph Duell, who had just committed suicide, and of John Bass, a member of the corps de ballet who died of cancer last September.

The evening was the culmination of a season of fourteen weeks, five of them devoted to the annual holiday revival of Balanchine's *Nutcracker*. Two new ballets were presented, one by Jean-Pierre Bonnefoux, a former principal of the company, and one by Peter Martins, who now shares with Jerome Robbins the billing of Ballet Master in Chief.

Bonnefoux's *Shadows* seemed to be about the break-up of a marriage, or it may rate a "relationship." The possibility that it was a ballet *à clef*, so to speak, was given credence by the casting of Patricia McBride, Bonnefoux's former wife, in the leading female role. She has a strong dramatic presence, but the element of drama seemed to be grafted on to an essentially abstract structure rather than organic to it.

Earlier in the season Peter Martins was occupied elsewhere with the Broadway production of Andrew Lloyd Webber's *Song and Dance*. His new ballet for his own company, *Songs of the Auvergne*, danced to the well-known arrangement of folk-songs of that region by Marie-Joseph Canteloube, purports to show a day in the life of a community, "from sunrise to sunset."

What it actually evokes is the world of the Broadway musical—it is like an Agnes de Mille ballet for a Rodgers and Hammerstein show. Choreographically it is far from incompetent. There are some pretty duets, and several younger dancers are given a chance to shine, especially Nichol Hlinka, whose air of self-possession draws one's eye. But even she cannot give any sense of reality to a piece whose relentless desire to charm results in a *sentimentality* to match Canteloube's cloying orchestrations.

New York City Ballet still largely exists on its patrimony, the Balanchine repertory. No doubt it will do so for many years to come. Questions that will continually arise will be not only which Balanchine ballets can be revived, but which of them should be. Two whose values seem debatable were restored to the repertory during this season. *Slaughter on Tenth Avenue*, the ballet from *On Your Toes*, was in the City Ballet repertory from 1968 to 1972, and revived for the 1982 Broadway production of the show that played in London last year. There is some question as to how much of Balanchine's own choreography survives in the present revival.

Brahms-Schoenberg Quartet has been out of the repertory only since 1980. It has been brought back in extravagant new designs by David Mitchell; these attempt to give the ballet a programmatic coherence that it does not otherwise possess.

Looking at the magnificent line-up of dancers in that closing night programme—Farrell, McBride, Kyra Nichols, Merrill Ashley, Darci Kistler, Maria Calegari, Stephanie Saland, Ib Andersen, Sean Lavery, Adam Lüders—it was evident that the company's vitality still consists in their sense of commitment to Balanchine's artistic vision. Sooner or later there must be found a solution to the problem of finding new choreography to ensure that this vitality and commitment may continue to be renewed.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Feb 28-Mar 6

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around: Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Barnum (Victoria Palace): Michael Crawford with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 834 4735).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End; if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady, Beryl Reid rising inimitably above the material, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Joselyn Herbert designs. (437 3686).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox in the shadow of a summit between The Soviet Union and Britain. Fluent direction by Peter Yates of the West End's best new play of the year. (734 1166).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

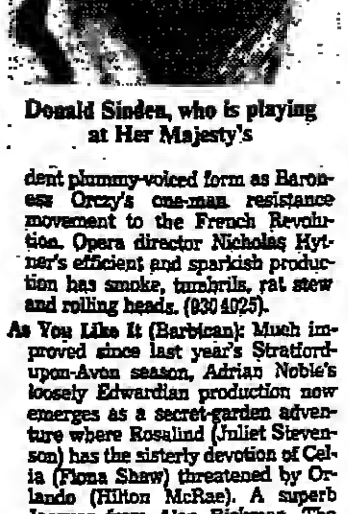
Les Misérables (Palace): Notably well sung and spectacularly produced rock opera from the Nickleby and Cats team of Trevor Nunn, designer John Napier and lighting man David Hersey. Colm Wilkinson superb as Jean Valjean. A melodramatic distillation of Hugo, and none the worse for that. The French score is rousingly melodic, with serviceable new lyrics from Herbert Kretzmer. (437 8834).

As You Like It (Barbican): Much improved since last year's Stratford-upon-Avon season, Adrian Noble's loosely Edwardian production now emerges as a secret-garden adventure where Rosalind (Juliet Stevenson) has the sisterly devotion of Celia (Fiona Shaw) threatened by Orlando (Hilton McRae). A superb Jacques from Alan Rickman. The RSC Barbican repertoire also includes a fine Othello with Ben Kingsley and, in The Pit, Christopher Hampton's absolutely breathtaking, unmissable version of *Les Liaisons Dangereuses* (628 8795).

The Scarlet Pimpernel (Her Majesty's): Donald Sinden in resplendent plummy-voiced form as Baroness Orczy's one-man resistance movement to the French Revolution. Opera director Nicholas Hytner's efficient and sparkish production has smoke, tumbrils, rat stew and rolling heads. (930 6025).

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (836 2294).

Blithe Spirit (Vaudeville): Excellent revival of Coward's eternal triangle comedy, notably well costumed and lit, with Jane Asher and Joanna Lumley fleshy and ethereal foils to Simon Cadell's sexually threatened suave novelist. Marcia Warren is a fine Arcati, a serious amateur in woollens and psychic research from South London. (836 9987).



Donald Sinden, who is playing at Her Majesty's

NEW YORK

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

WASHINGTON

The Wild Duck (Kreeger): Romanian director Lucian Pintilie follows his production of Tartuffe with the Ibsen classic, again using the stunning set and costumes of Radu and Miruna Boruzescu. Arena Stage (488 3300).

CHICAGO

Fences (Goodman): James Earl Jones plays a 1950s baseball player capable of being in the major leagues but subject to discrimination because he is black, in August Wilson's latest drama about the American black experience. Ends Mar 9. (443 3800).

Saleroom/Antony Thorncroft

Rarities in porcelain

After Christie's success on Monday with porcelain from the Fulda Factory in Hesse yesterday it was Sotheby's turn to *dispose of continental porcelain*.

The sale totalled £466,490, but with a relatively high 18.45 per cent unsold. The top price of £46,200 was paid by the London dealer Winifred Williams for a rare signed castelli table top, decorated with hunting scenes painted around 1760 by Francesco Saverio Grue. It measures 59.5 cm in diameter and entered the saleroom with a modest top estimate of £12,000.

Another London dealer, Adams Antiques, paid £28,600 for a rare Meissen tea and coffee service dated 1768. It contains 19 pieces with anthropomorphic scenes which are unknown on other Meissen services. Once again Sotheby's placed a top estimate of £12,000 on the lot.

The German dealer Roehbig paid £27,500 for a Nymphenburg figure of a female egg-seller (top estimate £8,000). Among the German faience a Schrezheim plaque, painted around 1760 by J. A. Bechdolff with a scene of Rebecca at the well, made £15,950. The same sum secured a Meissen Augustus Rex vase and cover of 1730-1735, probably painted by Stadler.

An important Hispano Moresque aquamanile of the late 15th century, a water jug from the Valencia region, doubled its forecast at £15,400. It is in excellent condition, with an animal head spout. (Only *three other aquamaniles* seem to have survived.)

There was a major disappointment when the top lot, a rare Florentine albarello of the mid 15th century, which could have topped £35,000, was withdrawn just before the sale.

An album of 98 Japanese prints by Hiroshige entitled One Hundred Famous Views of Edo (some are missing) sold for £21,600 at Christie's yesterday at the start of a two day sale of Japanese works of art. The price was double the forecast; the buyer was the Japanese dealer Mita. He paid £5,940 for two prints by Hiroshige, one of which was the famous "Sudden shower at Atake," depicting peasants crossing the Great Bridge in a rainstorm.

The sale totalled £120,603 in the first morning session, with a relatively high 21 per cent unsold. Matsushita of New York paid £9,720 for an album of 55 prints by Hiroshige.

The afternoon session included about 70 tsuba, or sword guards. The most impressive is an example of unusual quadri-convex shape, depicting the royalist Daimyo Nawa no Nagatoshi kneeling beside a pine tree, watching the departure of the Emperor from Kyoto. It sold for £4,536 (double its estimate).

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Wednesday March 5 1986

Exchange rate anxieties

INTERNATIONAL monetary reform seems to be coming back into fashion. It is understandable that people are less than happy with the present system, but there is a great deal of ground to be covered before it is realistic to consider getting back to any system of stable, managed rates internationally.

The causes of the dacline nf sterling and the dollar are quite different, but both in their way illustrativo. The *dollar started falling simply* because it had risen too high, in the ordinary manner of financial markets. In a world of free capital movements, a market tries to equate the expected return on investment in various currencios; but since that return itself contains a largo element nf the expected movemont of the exchange rate, any change in expectations produces a large movement.

All the same, this market correction showed signs of reversing itself long ago. The downward momentum has been maintained only by a series of official interventions — either market interventions, as after the Group of Five agreement last September, or simple verbal interventions such as we have observed in the last ten days or so. Either way, markets do now believe what they previously refused to believe; that official policy can push a currency down. Whether it can arrest the fall is less certain.

Clean floating

Sterling, meanwhile, is responding to developments in the real economy. The fall in the price of oil and changing expectations about its future price, seem to have an exaggerated effect on the exchange rate. In this case, the Government has not expressed a view on the desired rate, but has merely said that a fall in the real exchange rate would be an appropriate response to a lower oil price. At the same time, it has recently refrained from intervening in the money markets.

A system of clean floating can work quite well when governments refuse to take a view on the rate; but as the market depreciates, the Government may not be able to preserve its *sang froid* if the rate falls indefinitely.

There is no easy escape from nerve-racking times in a world of free capital movements. This is the key to the volatility of which industrialists and now governments are beginning to complain, and there is a stronger reason than their nervousness for thinking the complaints are justified. It might be said that, whereas the Bretton Woods system delivered stablo exchange rates because capital movements were controlled and trade was increasingly free, we are now reeching a system where the wild divergencies in competitiveness produced by capital market swings are leading to growing pressure for protectionism in the market for goods.

It would clearly be absurd to sacrifice free movement of goods, which is the *real* source of growing international specialisation and efficiency, on the altar of financial freedom. But equally to impose new checks on capital movements would mean swimming against the tide of new market technology, rapid communications and persistent innovation in financial instruments and techniques. It is a tide which started in the US, has been greeted as inevitable in the City of London and which is now seething into other more reluctant centres like Frankfurt, Paris and Tokyo.

The initial emphasis must be placed on macro-economic policy co-ordination between the major currency powers and a greater readiness to listen to the International Monetary Fund in its almost forgotten role as monitor and arbiter of the exchange rate system. This would be the best way to add continuity and consistency to the start made by the Group of Five in the Plaza Hotel last September.

If this approach fails to stablise the market in the face of real shocks — shocks about oil, shocks about debts, shocks about political developments—then governments will have no option but to take further steps to make sure that the means in their hands to stabilise the markets are an adequate match for the funds that the private sector can mobilise to destabilise them.

Public confidence in nuclear power

THE RECENT spate of reports of nuclear radiation leaks at the Sellafield reprocessing plant and elsewhere has provoked some wild fears which are threatening to set back the cause of nuclear energy in Britain.

Much of this public alarm is the product of ignorance. Even so, the nuclear industry's tendency to retreat into haughty exasperation or to dismiss the stories as a lot of fuss about nothing has been counter-productive.

Disquiet about disposal of nuclear wastes has become a political fact, which is not entirely ill-founded. Sellafield appears to have been disturbingly accident-prone for a plant which is handling dangerous substances. The health and safety inspectors who are starting their audit of the plant this week must proceed with all possible speed to discover what needs to be done to tighten up safety procedures. Their findings will have to be made public without any attempt at camouflage.

The plant's new management must then be given full government backing to spend whatever is necessary to make assurance doubly sure. The spotlight of publicity is now so harsh that public anxiety will have to be given almost equal weight with technical appraisals when making investment decisions.

Reprocessing

This repair job on public confidence may prove expensive, but Britain cannot do without the Sellafield plant and its needs nuclear power.

The nuclear waste which already exists or which will be produced by the existing power stations will have to be processed for many years. Closure is not a credible option, nor is it necessary. Nuclear waste reprocessing and disposal may present dangers, but so do jet aircraft, cars and coal mining. The dangers can all be minimised by investment and careful planning.

Yet the authorities have been slow to realise that the nuclear industry is, in an important sense, different. Radiation is invisible and mysterious. It inspires some primitive fears of the unknown, which Mr Kenneth Baker, Environment Secretary, has compared to the mediaeval horror of witchcraft.

This makes the subject uncomfortable for politicians, and especially for Mr Peter Walker, the energy secretary, who will have to make an investment appraisal later this year for the proposed Pressurised Water Reactor (PWR) at Sizewell on the Suffolk coast.

The decision will depend to a large extent on the findings of Sir Frank Layfield after his three year planning enquiry into the project. It will also be coloured by the recent fall in oil prices.

It would be a grave mistake, however, if ministers used these difficulties as an excuse to push this important question onto one side. Britain's pioneering role in developing peaceful use of the atom was followed by an inglorious three decades of muddle, technical troubles and political vacillation.

Now, after many years of argument, the Central Electricity Generating Board wants *to make a new start* with a family of US-designed PWRs. A decision of such technical complexity cannot ultimately be taken by a popular vote, nor by a planning inquiry.

The presumption in the Cabinet seems to be that the CEGB knows its business and that the Nuclear Inspectorate should not be second guessed in its job of ensuring the safety of the public. If Sir Frank has serious doubts on this score, then they should be made public as soon as possible. In any case it is important that his verdict this spring should be complete and unequivocal, so that the Government can proceed to a decision without more delay.

There is no reason why nuclear power should not be at least as safe as, and considerably cleaner than, other sources of power.

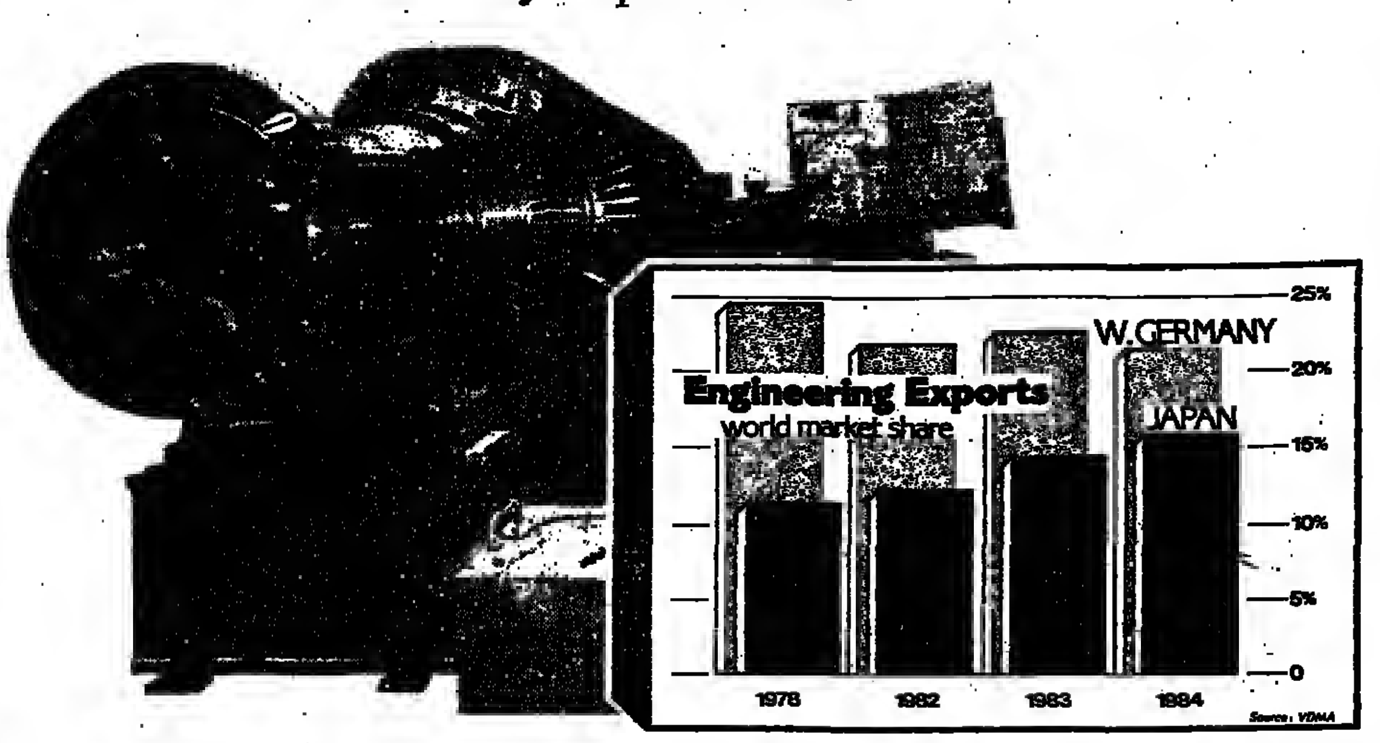
It is only prudent to plan for a diversity of energy sources, including a nuclear programme. To this strategic argument must be added the economic case for the PWR, which remains strong in spite of the recent weakening of oil prices; for Sizewell B would be operating long after present North Sea oil reserves have run dry, when prices are generally expected to be rising again.

The Government may need some determination, and a major effort to improve public understanding, to press ahead. But the alternative could well be for Britain to drop out of the nuclear industry altogether, with a risk that energy costs will become steadily less competitive compared with its nuclear neighbours like France.

WEST GERMAN ENGINEERING

An industry bounces back

By Rupert Cornwell



"THREE years ago, people said the West German engineering industry was dead—they don't do that any more." The words are those of Mr Klaus Goette, chairman of Gutehoffnungshuette Aktienverein (GHH). He was talking about the sector as a whole; but they could apply equally to his own company at the end of the most momentous 12 months in its 228-year existence.

No industry contributes more to the conventional image of German economic prowess than that conglomerate entity called mechanical engineering, embracing everything from plant manufacture to machine tools, from turbines and engines to construction and bulk handling equipment. It is a diffuse industry—the typical workforce at one of the 2,600-member companies of the VDMA, the industry's national federation is around 300—and if it does have a standard bearer, then it is surely GHH, with 90 subsidiaries in West Germany which alone form a microcosm of the sector.

With its 55,000 payroll and sales of DM 14.6bn, GHH represents over 9 per cent of the country's total mechanical engineering turnover. The sector accounts for a similar slice of the country's total GNP. And if the industry was feeling sorry for itself back in 1982 and 1983, GHH was more miserable still.

Like everyone else, GHH could not escape the fashionable pessimism which determined the perception, if not the reality, of the sector. In the years immediately before 1982, the Americans, helped by a weak dollar, had wrested from the Germans their traditional top place in the league table of world engineering exporters.

International recession and a sharp cyclical downturn in global demand for investment goods only made matters worse. Pervading everything was an obsessive fear of the Japanese, by then coming up fast in many places on the flood tide of their pioneering skill in low cost series production of items like machine tools and in the application of electronics to their products.

On top of all that, GHH had a special difficulty of its own: its relationship with its largest subsidiary, Maschinenfabrik-Augsburg-Nurnberg (MAN). For years MAN, based far away from its parent at Oberhausen in the Ruhr, had been its own master, despite the fact that GHH held 75 per cent of its capital.

For almost as many years the arrangement had worked well enough; but then in 1982-83 lax financial control and an ill-judged reading of markets for MAN's key prodncts of heavy trucks and engines yielded the bitter fruit of a DM 300m operating loss, with more to follow.

However, tho most famous bead to roll as a result of this disaster was not to be found at MAN. Instead, Dr Manfred Lennings, chief executive of GHH for eight yoars, was ousted to make way for Mr Goette, sent in from the Allianz insurance company, indirectly the dominant shareholder of GHH itself.

An industrial philosopher had been replaced by a hard-nosed finance specialist. Dr Lennings had bad his own plans to reorganise the group and strengthen Oberhausen's hand over its wayward daughter. He had instigated a harsh rationalisation at MAN. In the event, though, it was Mr Goette who was to put them into effect and luck was on his side.

The Goette era at GHH has coincided with a resurgence of the entire mechanical engineering sector, for reasons the exact reverse of those for the earlier decline. The dollar strengthened and the US economy leapt ahead. Demand for capital equipment gathered pace, at a time when the D-mark was looking increasingly undervalued. Exports surged by 15 per cent, led by machine tools, printing equipment and foundry and rolling plant.

By January 1985, orders were running 24 per cent higher than a year earlier. The pace slackened later but for all of 1985 the rise was about 12 per cent. The VDMA estimates that turnover advanced last year by a similar amount and that the number of jobs in the sector grew by 3 per cent to 1.05m. For Goette, it was the perfect moment to move.

The ground had been carefully prepared. Between 1982 and 1985 the group slashed its workforce from 70,000 to 54,900 as MAN shut plants and disposed of 6,000 jobs in its commercial vehicles division alone. Last March MAN sold its half share in tha engine manufacturer Motoren-und Turbinen Union to Daimler Benz, netting some DM 375m. Then the *Haniel* family, last of GHH's historical anchors to tha Ruhr, sold its 10 per cent stake in tho parent to Allianz.

All the while, operating performance was improving. MAN made a profit of DM 32.5m in 1984-85, helping the group to show earnings of DM 123m, apart from the windfall gain from the MTU sale. Group orders that year jumped by 21.4 per cent. "There's no doubt that the general upswing helped GHH back to health quicker than expected," a Dusseldorf analyst comment.

Finally, in September, Mr Goette unveiled his scheme. To ensure that GHH spoke with one voice instead of two, parent would merge with subsidiary. A new master company is being set up, based in Munich instead of the Ruhr, to run eight operating subsidiaries. For Oberhausen it was a bitter blow, the departure of a company which had shaped the town. MAN could be consoled for the effective end of 145 years of independence by the knowledge that the new holding company would be called MAN AG—even if it would be headed by Mr Goette rather than one of its own. Mr Otto Voisard, MAN's outgoing chief executive, read the writing on the wall and, jumping before he was pushed, declared he would not be standing for the job.

But just how typical is the GHH/MAN reorganisation of events in the engineering industry at large? In a sense it runs against the trend—if anything, decentralisation has been the pattern of recent years: witness the hiving off by Krupp and Thyssen of their steel divisions in troubled times.

But unification had become a vital necessity at GHH/MAN, and tho speed and decisiveness with which Mr Goette has acted command much admirstion among bis peers. Furthermore, *the shift* to tougber *controls* mirrors a process which bas been underway among engineering companies since tho mid 1970s, and which still bas o good distance to go. In a way, the subordination of MAN, traditionally run by engineers, proves how the role of financial specialists is growing.

It is too early to say whether the tough therapy at GHH/MAN, flying in the face of so much history, will stick. "The merger is happening—the question now is whether Goette can motivate his people, and a lot will depend on the second level of managers," says a Ruhr industrialist who has followed the story closely. Nor would a little more help from outside come amiss.

By any standards 1985 was a boom year for German engineering. Use of available capacity has hit almost unheard of levels, around 90 per cent. At year's end orders in hand guaranteed 6.4 months work, analysts estimate, suggesting that whatever happens, output will rise by 5 per cent in 1986. "Almost everyone is sold out," reports a leading engineering consultant. "How to declog plant is a problem we're always being asked about."

The sheer standing of engineering in Germany has also served the industry well. Instinctively, German managers think in longer cycles than their Anglo-Saxon counterparts. That can mean that big mistakes (as at MAN) can escape for a long time. But it also meant that German companies did not jettison designers and other key engineers when times were bad a few years ago—as did many US machine tool companies, to disastrous effect.

Above all, the Japanese neurosis has disappeared. The industry recognises that Japanese manufacturers are probably unbeetabie in cheaper series production of tools. But the *Germans* reckon they *have* made up the olectronics gap—" every second manufacturer in mechanical ongineering bere is now using computer-controlled tools," according to a Stuttgart analyst—thus permitting full scope to their traditional bent for specialised tailor-made equipment.

"We are more flexible and creative in organisation and people," says Mr Berthold Leibinger, an engineer by training and head of the Trumpf group, which exports about 60 per cent of its DM 345m sales of punching, "nibbling," and laser cutting machines. "The Japanese have great difficulties when you want something which is not in the system. In technical terms, we are Number One."

And statistically, despite a notable encroachment by the Japanese, that remains the case. A VDMA study shows that in 43 recognised sectors of the engineering industry in 1984, the Germans were export leaders in 22 of them, followed by the US with 11 and the Japanese with eight.

True, the gap has narrowed since 1978 when Germany led Japan by 25 to three—and in some fields, like weighing equipment, moulding machinery, compressors and vacuum pumps, the Japanese used the interval to overtake their rivals convincingly. But in high precision tools, on the other hand, Germany's dominance remains almost complete: its manufacturers accounted for 32.2 per cent of Western countries' exports of such products in 1978 and 33 per cent in 1984.

Along with the benefits of greater specialisation and product mix, German engineering companies also reaped the fruits of higher productivity (up 3 per cent in 1984)—and of wages held below prices between 1979 and 1984. All this, and the undervalued D-mark, saw to it that German labour costs were, by *international standards*, no longer tho handicap of the past.

The vory success of tha industry abroad in the past two years could, bowever, prove a mixed blessing. Of that DM 160bn turnover, DM 93bn or 58 per cent is reckoned to have been exported last year—giving a favourable balance of DM 55bn, against an overall 1985 German trade surplus of DM 73bn.

But for all the optimism there is now doubt about how long things will continue in this vein. The sharp appreciation of the D-mark against the dollar brought a dramatic shift in the final months of 1985. GHH, for example, was still able to report a 12 per cent advance in orders between July and December. But VDMA reckons that in December alone export demand in the industry dropped 10 per cent from a year earlier, and was down by 6 per cent in the final quarter compared with 1984.

Engineering, like the West German economy as a whole, now has to prove that it can flourish even when export prospects are not so bright. Long lead times for orders in hand mean that the pressure will not be acute for a while: GHH is forecasting earnings in 1985/86 at least equal to those of 1984/85.

However, as one engineering company chairman remarked recently, "when the dollar gets below DM 2.30 (compared with over DM 3.40 only 11 months ago) obviously we feel uncomfortable." The discomfort could become worse if the mark, as expected, is revalued in the EMS against the currencies of European competitor countries—or if this year's pay round in the engineering industry comes out close to the union's ceiling demand of 7.5 per cent.

Behind everything lurks the fear of a downward lurch in the wider business cycle—along the lines of the past. The pattern is classic: the currency rises, hitting export demand first of all. Then companies complete spending programmes, holding investment down thereafter. Could it happen again?

For the moment, probably not. Domestic demand, in 1986 at least, seems likely to make up for any decline on the export side. West German capital investment, crucial for the engineering industry, is generally expected to grow again this year, by 8 or 9 per cent. At least one analyst reports that engineering companies are raising estimated sales and profits for 1987.

Thereafter no one would hazard a guess. Maybe we will see a fresh outburst of fashionable despondency, and the demise of engineering will be again pronounced nigh. Behind the scenes, though, reality might be different. "German companies have tended to use slack periods to come up with better solutions," says a consultant: indeed in 1982-83, at the deoths of its misfortune, the GHH group invested an unprecedonted DM 687m. "Besides, the *Germans* supply what other peoplo don't want to make." And, he might have gone on, what other people do want to buy.

Men and Matters

Rice grows confident

Victor Rice wil deserve whatever celebration his colleaguos at Massey-Forguson may be planning for his 45th birthday on Friday. For the third time in five years, the chairman of tha venerable but financially stretched Toronto-based farm machinory and industrial engino maker has persuaded 140 lenders in seven countries to come to the company's rescue.

The creditors have agreed to convert mnch of their debt to equity to holp capitalise o new company for Massey'a loss-making combine harvester business, and to extend the terms of the remaining loans.

Rice, the ebullient son of a London chimney sweep, has managed to squeeze more than US$1bn in concessions out of Massey's ceditors since 1981. But he agrees that both ba and tho lenders (which include Canadian and British government agencies, Royal Bank of Canada, and Canadian Imperial Bank of Commerce) "would have baled out long ago" bad they foreseen the protracted slump in the farm machinery market which has been at the root of Massey'a troubles.

"To me, the past seven years seem like 70 years, paring down and cutting back this company," Rico says. Massey'a workforce has shrunk from 67,000 when Rice took over in 1978 to about 20,000 now.

Rice argues — perhaps optimistically — that the latest restructuring bas turned Massey into "a perfectly ordinary, normal company" ready to pursue its diversification plans. Seldom oble to resist a wisecrack, he commiserated with reportors: 'It is a sad day for you. Never again are you going to be writing about 'financially-troubled' Massey-Ferguson."

"Do you think Lord Gowrie's promotion means that they're g o i n g into privatisation sales?"

A living

"My father nover told my mother wbat be earned, and I don't propose to tell you wbat I earn."

Thus, rnbustly, did Matthew Parris, picked to succeod Brian Walden as tho presonter of television's flagship current affairs programme, Weekend World, fend off journalists' qnestions yesterday on his presumed mega-salary from LWT.

One wonders wbat his responso will be if interviewees on his Sunday soapbox are similarly unforthcoming in response to bis questions.

John Birt, director of programmes at LWT, triod to put inquisitive minds at rest. "It will be more than sdequate for his needs," be chuckled.

Parris, aged 36, is of course still the Conservative MP for Derbyshire West. His defection to private enterprise will mean a by-election at a difficult time for the government. Did that disturb him?

"All my colleagues in the House and the Derbyshire party officers have wisbed mo luck," he says. "I bope my constituents will not begrudge me this."

Birt insists that Parris was tha first choice for the job. Ho had "transparent honesty of purpose," together with wlt and an elegant style of nratory. So they made him an offer be couldn't refuse.

Touch down

Pierre Pailleret, jet-setting ex-marketing director at Airbus Industrie, the European airliner consortium, has nnw landed in France's natinnalised Suez financial group.

Pailleret, wbo left Airbus at the end of last year after disagreements over the group's strategy, started work yesterday et Suez, with a brief to bolp expand tho group's intornational corporate finance activities.

From 1982, Pailleret beaded Airbus's arnund-the-world sales campaign. He played a mejor role in clinching the big Airbus sale to Pan American Airways in 1984.

Pailleret, who got to know Jean Peyrelovade. the Snez chairman, when bo was at Credit Lyonnais, will bo belping Suez to seek business opportunities in venture capital, consultancy and investment banking. He has ideas about increasing Snez's involvement in airliner financing.

Call of the wild

The ducks and dragonflies lobby — nevor a high flier politicaily — is about to swoop on the managomont of Thames Water, angry that the authority's privatisation plaus may includo the sale of two 19th century reservoirs in Stoko Newington, north London.

Conservationists fear that if the reservoirs sbould fall into tho wrong bands, wildlifo in the area may suffer. Swans, Canada geeso, crested grebe and the rare smew would all be threatened along with the luminous dragonflies that sparkle among the reeds.

A "Save tbe Reservoirs" campaign has been started, and Roy Watts, Thames's enorgetic chairman, has been invited to a public meeting next week.

Thames prides itself on its concern for the environment. Its river basin management programmes ara considered models of their kind, much imitated round Britain and in Europe.

"Tho crested grebe is safa with us," Chris Bailey, head of publicity for Thames, avers. "We are talking to ell bodies concerned in this affair, and if we do aell tha reservoirs, it will bo with general consent."

War words

The largo number of exotic technical projects sponsored by tho US Star Wars programme has provided the more imaginative Pentagon planners with an excuse for creative christoning of individual programmes.

A good illustration is Porcupino, a project to design several thousand small satellites, each with up to 10 rockets poking out, which are intended to destroy any Russian missiles in the vicinity.

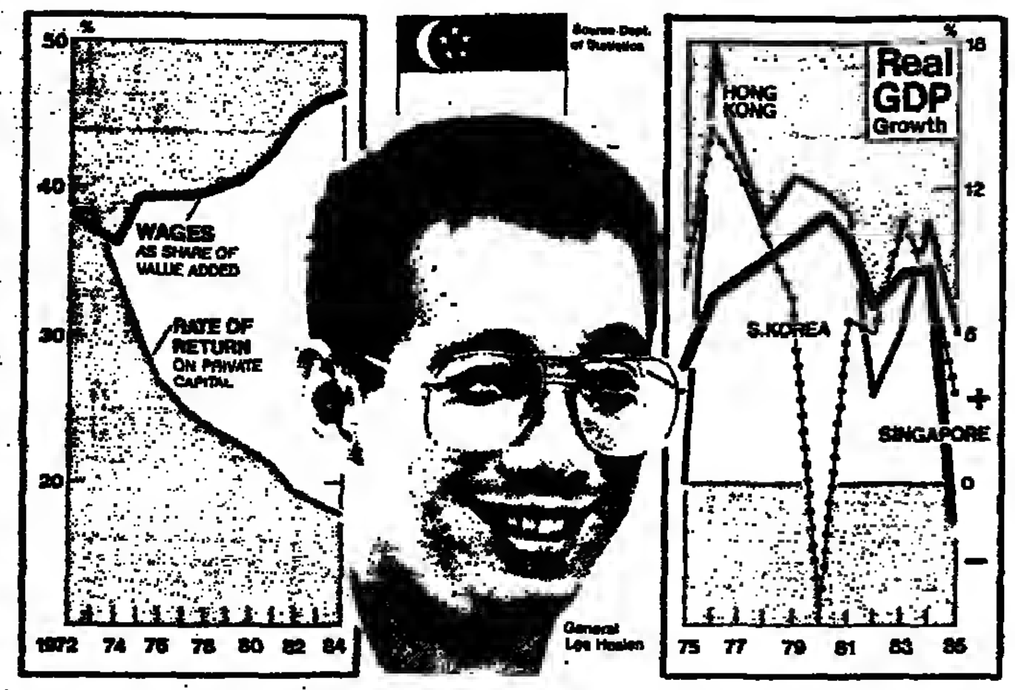
The Pentagon has turned to an ancient stem in coming up with Sagittar, whicb describes a system to destroy missiles with small bullots accelerated by olectromagnetic forces. The defence planners started with Sagitta — Latin for arrow — and then sdded an "r," perhaps to stand for the rails along whicb the bullets would be propeiled in a working launcher.

My etymological favourite is the word chosen for a space vehicle which flies out to a group of marauding missiles, moving in formation with them before destroying targots one by one.

The Pentagon has had some funl labelling this scheme Braduskill. Bradus is Greek for slow, as in the English words bradyspepsy, meaning slowness of digestion, and bradypod, a class of mamals whicb crawl rather than run.

Observer

Singapore's faltering economy



General Lee tries to push back the state

By Steven Butler, recently in Singapore

SINGAPORE is facing a quiet revolution. It has come in the disguise of a pedantic, 233 page report to the government that offers, for Singapore, some startling advice — that government dominance of the economy needs to be reduced, and that private business needs to be unleashed and spurred along.

The report, published last month, launched a hard hitting attack on the economic orthodoxy that has become a trademark of Mr Lee Kuan Yew, the Prime Minister of Singapore, who has towered over this tiny tropical island state for its entire 26 years of independence.

Under Mr Lee's firm leadership, the economy expanded by an average of 9 per cent annually for twenty years prior to 1985, earning Singapore an international fame that vastly outstripped its role in the world economy.

Yet last year Singapore's great momentum of growth suddenly and unexpectedly expired. The economy shrank by 1.7 per cent, 90,000 jobs vanished, and the profits of foreign manufacturing firms, whose investments are vital for Singapore, plunged by 70 per cent.

The report concludes that Mr Lee's favourite chestnuts—the high wage policy, high forced savings, grand government investments in industry, and lavish public construction projects—helped plunge Singapore into deep recession. And it recommends radical changes that will undo much of Mr Lee's work and thereby set free the private sector.

The report is a watershed for Singapore because its assault on orthodoxy could, after a fashion, become policy.

On the other hand, there is considerable scepticism in the business community as to whether the reforms can be pushed through the Government and if they are whether they will not be reversed in two to three years. The report's call for a cut in corporate taxes from 40 per cent to 30 per cent, for example, has already been pared to 33 per cent by the deputy Prime Minister Mr Goh Chok Tong.

The report's other significance is that it marks the firm launching of a new generation of political leadership that has risen to prominence by reaching out to the public to build consensus, instead of preaching from on high about what is best for the nation.

Brigadier General Lee Hsien Loong, the 34-year-old son of the Prime Minister, chaired the *economic committee* that drafted the report. His appearance in the autumn of 1984 as a candidate for parliament raised many eyebrows. Nepotism is an ancient Chinese custom, and the younger Lee had yet to prove himself.

Now, riding high in the well-publicised role of Committee Chairman, he has emerged as a man of political substance—the very man, and perhaps the only man, who can gracefully overturn his father's proud legacy of powerful government domination over the economy.

The fall of Singapore's economy has been hard and fast. Exports zoomed ahead during the 1970s, spurred along by large government investments in shipbuilding and petroleum refining.

But both of these industries turned sour, with oil exports falling sharply from 1982.

Singapore then found its economy squeezed from another direction—the government's much-vaunted high wage policy.

This policy turned into a time bomb that has already exploded. From 1979 to 1981, increases in labour costs exceeded increases in productivity by 3 percentage points per annum, a gap that widened to 9 percentage points after 1982 and resulted in a 40 per cent increase in unit labour costs in just six years.

Singapore had priced itself out of the international market. The effects of these trends remained hidden until a massive boom in domestic construction finally crashed last year.

The contraction of the economy has highlighted yet another severe distortion caused by government policy—Singapore's incredible 42 per cent rate of savings, the highest in the world. The government forced employers and employees each to contribute 25 per cent of wages to a government pension scheme, the central provident fund (CPF).

The government's near-monopoly over savings made plenty of money available for property development, an ingenious aspect of the CPF plan that has turned Singapore into a model city. But the CPF starved the private sector of capital. While construction spending grew by 24 per cent annually between 1981 and 1984, spending in machinery and other manufacturing equipment grew by just 3 per cent.

This intricate and interlocking web of bad news has forced Singapore's Economic Committee to recommend radical changes in policy.

The committee has bitten the hardest nut first with a painful and controversial proposal to cut the employer's contribution to the CPF by 15 per cent, a move the committee expects will cut wage costs by 12 per cent.

The cut will take a slice out of every Singaporean's pension and will cause immediate difficulties for many who use the pension to make instalment payments for housing.

If implemented the CPF plan would represent a startling political reversal for Singapore. Only last August, after the economy had begun its slide, The Prime Minister said the CPF was the "last item" to touch.

The committee also calls for sharp cuts in corporate taxes, a wage freeze for two years and a plethora of detailed policy changes thet touch on virtually every aspect of the economy.

Even if the committee's recommendations are fully acted upon—and that is a big if—the road to recovery will be long and drawn out. The committee says that the CPF and tax cuts should restore growth to the economy after 18 months, and in the meantime that Singaporeans should brace themselves for a drop in living standards.

In the long run, it suggests Singapore must expand its role as a service centre for the south east Asian region. That obviously will have to wait until raw material prices pick up again and growth returns to neighbouring countries.

The report has highlighted once again Singapore's remarkable dependence on the outside world, and the fragility of its success. Fully two-thirds of total demand is generated externally, far higher than even Hong Kong, where external demand reaches 48 per cent.

The breadth of the committee's report is indeed remarkable. But already signs have sprouted up that a long political battle lies ahead. The work of the young committee chairman, General Lee, who has been promoted to be acting Minister of Trade and Industry, may thus have just begun, and his political future could hinge on how well both the report and the economy fare.

It would be unnatural if the entire second generation of political leaders in Singapore, who rose to prominence in the 1970s, and are now cabinet ministers, did not watch the rise of the Prime Minister's son with considerable apprehension.

The Prime Minister himself has evidently warmed to his son's very effective leadership of the economic committee an achievement which many participants praised. Not an economist himself, Gen Lee did his homework. He grasped the discussion and led the committee to a consensus.

Almost imperceptibly the long shadow of Prime Minister Lee Kuan Yew may have begun to shorten. The initiative for solving the island-state's economic problems has passed from his hand, even if final authority over it remains firmly in grasp. The Prime Minister says he will retire in a few years, although he is likely to retain considerable authority.

Speculation that his son may succeed him may prove premature, at least in the near term. Yet the transition to a government thet reaches out to the public to build consensus before acting appears irreversible. The public's demand to be heard echoed loudly in tha last election, in which support for the ruling People's Action Party fell from 76 per cent to 63 per cent.

The momentum towards an economy with less government interference and greater freedom for private business is now gathering pace.

UK state education

When facts matter more than values

By Paul Barker

A FRIEND took her daughter along to parents' evening at their local school last week. Rather surprising, these days, that there was a parents' evening at all. But it wasn't much of one. They could talk only to a single teacher about a single subject. All the other teachers were boycotting this as a "voluntary activity": it was no longer part of what they thought they had to do.

Over the past year of the teachers' pay row (longer, and even more bitter, in Scotland), this story could be duplicated up and down Britain and this week's messy settlement will not resolve it. Despite the jibes from left ("too elitist") and right ("falling standards"), we have had a state education system we could be fairly proud of. It's crucial that we should have. No modern economy can function without a well-taught citizenry, and only a slender minority will ever be able to afford to opt for private education. But the character of the state system is being irrevocably shifted by what is going on in schools at the moment. The relation between pupil and teacher, and between school and community, will never be the same again.

The purpose of education has been a subject that philosophers have loved to write about—from Plato to Rousseau, from John Locke to J.S. Mill. *All of them have seen it as* more than a simple question of offloading a set of facts from the teacher's desk into the pupil's brain. *But these aims* have seldom been adhered to by education administrators. Almost everywhere in the world, the *facts have been* what mattered: not character or personality or the preparation for citizenship. Till now, Britain has been an honourable exception.

Of course, the facts have their place. We created a state education system in the late 19th century largely out of panic at what the ingenious Germans were getting up to. One residue of this, even when I was at primary school, was that you didn't have "classes." You moved up through Standard I and Standard II and the rest, acquiring the accredited bits of the three Rs at each step. But, that aside, our state educators have always been concerned with other things as well. For the truth is that the state system was firmly modelled on the public schools, where — till the recent dash towards qualifications — the fact-lover was derisively labeled a swot.

But all this has depended crucially on the teachers. Classrooms have remained pretty sacred to tha worship of the facts. All the great educational innovators this century have tried to chip away at this; and they had their main success in primary schools. In the past couple of decades, droves of overseas visitors have come to see how our young children have gained from the examples of Montessori or A. S. Neill — pioneers of humane teaching, whose methods were transmitted through tha colleges of education.

At secondary schools, however, the traditional curriculum remained much as it was. The extras were wrapped round it: hurdles practice before school began, a debating society at lunchtime, rehearsing for the choir or a play at 4 o'clock. Increasingly, the aim was to involve parents also. Report after report emphasised this — most recently, David Hargreaves's recommendations on how the Inner London Education Authority could improve its ways. *This, too, went into extra time,* so that parents with jobs (including more and more single parents) could get to meetings about their children's success or failures.

Just as recession reshapes an economy more than a boom does, so *financial* pressure can switch institutions onto new tracks — often without that being the specific intention. This is what is happening in schools now. Teachers are becoming, more and more, just people who turn up to do a certain stint in the classroom, like miners at a coalface. Partly they have been forced into this stance; partly they have grabbed the opportunity of the pay dispute to get rid of an obligation that weighed heavy on many of them.

If you go into a French *lycée*, you see how exceptional the British system has been. There, the teachers turn up only for the periods of their own lessons. Otherwise they stay away, rather like university lecturers. Everything else — including that classic deputy head's chore, the timetable — is done by administrative staff. It is nice for the teachers. It is a good way, in the not very long run, to drive up non-*teaching costs. It is perhaps* all right for children with no learning problems, but even then, it means that the school *has abandoned its job of* moulding children in other ways than formal learning.

Schools are being as pummel*led as a piece of Plasticene*. Some of the pummelling is overt and deliberate. Through the Manpower Services Com*mission*, central government *is* trying to get a closer grip on the curriculum (again a move in a continental direction). But the effect of the teachers' dispute will be more far-reaching and long-lasting — because it is changing *attitudes* and *expectations*. Not only teachers', but also pupils' and parents'. That is why there has, on the whole, been so little fuss about the *dispute*. Everyone has been quietly scaling down what they think a school should deliver.

But before the educational Plasticene sets hard in a new shape, we should ask ourselves whether that is what we really want. Schools are, obviously, the main road to various skills we think important. But, along with parents, they have also been in the business of transmitting social and cultural values. These may be more nebulous than an A grade at O-level, but are no less important.

Our society is going through drastic change. With unemployment still so high, and industry in a state of flux, no one can say what that A grade will be worth in the real world anyway. Is this tha moment to weaken what schools do, other than produce bits of graded paper?

Look at any inner city and you can hardly doubt the right answer.

The author was editor of New Society from 1968 till this year. He was the first comprehensive school pupil to go to Oxbridge.

Letters to the Editor

Violence on television

From Mr J. K. Mosley

Sir,—While Christopher Dunkley's "Case for Violence" (February 26) is clearly incapable of standing up to even superficial analysis and therefore must be presumed to have been written "with tongue in cheek," there appears to me some danger of its being interpreted as serious comment on a sensitive subject.

It is, however, surely as facile to suggest that efforts to curb the misuse of television's power to influence should be seen as efforts to curb the power itself, as it is presumptuous to suggest that the freedom of the media/television is synonymous with the freedom of the individual.

Indeed, though television cannot create violence, it is nevertheless apparent to anyone who has watched the "instant reporting" of violent incidents that the mere presence of the camera does lead to the enhancement of the violence. Thus television may be accused of sensationalising an incident which it merely wishes to report; equally, by allowing its presence to be (ab) used for their own purposes by those being reported on may also be characterised as irresponsible television.

The freedom to screen violence for which Mr Dunkley pleads is no more than the freedom to give the public what the media believes the public wants. That this plea *is* put forward by a media-man on the basis of his own assertion of the existence—presumably in a *significant proportion* of the public—of an innate desire for violence makes nonsense of the point.

While violence *is acceptable* as an integral part of any film or play, violence for its own sake is to be deplored and not raised to the status of and extolled as an art form. A moral conscience which is seen to exercise self-discipline and to limit excesses of violence will always be accepted as a substitute for control. The absence of a manifest determination by television to use its influence to denigrate violence is inevitably seen as a willingness to contribute to ever-lower standards and inevitably opens the door to enforced control. Society adapts to example and the silence of its *majority* should never be taken as implying approval.

Keith Mosley.
17 Kibworth Close,
Whitefield, Manchester.

Case for a credit card tax

From Mr D. Auerbach, FCA

Sir,—At this time of the year the Chancellor of the Exchequer is considering new ways to tax us to balance a budget where he would like to make a few concessions.

I suggest an innovative tax, that would be very easy to collect, could produce substantial sums and would have tha advantage of reducing personal credit. The Chancellor should tax credit and charge card transactions. These are invariably computerised, and as there is a relatively small number of operators, the tax is easily and very cheaply collected from the customer by a monthly debit to his statement.

Daniel Auerbach.
9, Mansfield St, W1.

Main reason for privatisation

From Mr G. Chichester

Sir,—I imagine it has not occurred to Dr Oonagh McDonald (February 26) that the market capitalisation increase of privatised companies, about which she waxes indignant, is neither attributable to undervaluation nor to the bull market but is a measure of the improved management performance in private ownership compared with state control.

She has deliberately overlooked the main reason for privatisation, which is for enterprises to be managed more efficiently and to greater overall benefit of the economy. Raising cash is useful for prudent management of public finances, but is definitely a secondary consideration.

Her convenient concern over the undervaluation of assets is hardly consistent with past Labour governments' complacency about undervaluation of assets when nationalising them as the shareholders of Vickers, among others, will attest.

Giles Chichester.
9 St James's Place, SW1.

Warnings signs of lobbying

From Mr N. Ball

Sir,—Ironically, it is the professionalism of lobbying (Management Page, February 24) which has sometimes made corporations less, rather than *more, effective in government* relations.

Although I encourage companies to develop in-house staffs and to utilise outside consultants, I do not believe that they can truly be effective without the informed involvement of the chief executive officer, nor broadly influential if they do not communicate with all levels of employees.

Several warning signs can alert managements that specialisation in this area could be working against them: (1) the formation of internal bureaucracies to meet external ones; (2) the absence of clear strategies and measurable results—at least as precise as those required in other management areas and (3) the presence of people who, instead of taking the mystery out of government relations, regularly emphasise tha complexity and delicacy of it all.

Neal Ball.
425 N Michigan,
Chicago, Illinois.

Sunday trading free-for-all

From the deputy general secretary, Union of Shop, Distributive and Allied Workers

Sir,—Your article on Sunday trading (February 22) refers to the anti-deregulation lobby's success in getting its case across *in recent weeks* and indicates that the Keep Sunday Special group is funded by a consortium involving unions, churches *and some retail associations.*

It is interesting that David Churchill, in his article, inadvertently does not tell us who is funding the campaign spearheaded by the 7-day, 24 hours a day group, pushing for deregulation at any price.

The article asserts that the anti-Sunday trading campaign is "very vociferous and well-organised but it only represents a minority of opinion." Is this minority opinion reflected in the ministerial reply given to Parliament last month that the Government had received 310 letters supporting its deregula*tion policy* and 37,317 against? It appears that the unrestricted shopping enthusiasts are ignoring fact in order to sustain their wilting campaign.

It is also significant that the free-for-all supporters who fail to mention that *shopworkers* in Scotland as well as in England and Wales are now showing increasing awareness of what the Government's *proposals* involve. They realise that it is not the widening of opportunity to work on a Sunday and thus enhance their already low earnings which is behind deregulation. What is being imposed on them through the Wages Bill and the Shops Bill is a "Las Vegas" shopping free-for-all, accompanied by the loss of hard-won rights such as the right not to work on a Sunday, statutory entitlement to four weeks' annual holiday and the loss of statutory protection guaranteeing nine or *10 days'* customary holidays, all on the pretext of consumer freedom of choice and pricing people into jobs.

I would not accuse Mr Churchill of being partisan but I question why he did not seek a comment on the current situation from Usdaw since we have constantly and consistently campaigned in favour of a modern Shops Act.

If it is true that there is unlikely to be a dramatic move *towards taking up the option of* 7-day, 24 hours a day trading by most retailers, why is the Government becoming so agitated? *Is it because it suspects* it may well be defeated on the floor of the House of Commons?

John Flood,
188, Wilmslow Road,
Fallowfield, Manchester.

Wholesalers back merger plan

From the Director, Federation of Wholesale Distributors

Sir,—I have been following the rival bids for Distillers with great interest and, like a number of organisations and individuals with whom *I* have been in touch, my federation was most surprised when the first Guinness bid was referred to the *Monopolies and Mergers* Commission.

The Federation of Wholesale Distributors represents food and drink wholesalers in the UK and if anyone has caused to be concerned with the merger of Guinness and Distillers it would be ourselves. On the contrary, from the outset we could see no grounds for competition concerns in the UK. In fact we believe the merger will be healthier for competition. We sincerely hope the latest proposal will satisfy the Office of Fair Trading.

Surely, with 90 per cent of Distillers' production destined for overseas *markets*, the debate should focus on the export potential of the Scotch whisky industry and not on statistics and percentages about the UK market. The combined management, marketing skills and distribution resources of Guinness and Distillers provide an attractive opportunity to boost exports and it must be, above all, for these reasons that the Government will give clearance for Guinness to proceed. This would undoubtedly be in the national interest.

Len Jackson.
18 Fleet Street, EC4

FINANCIAL TIMES
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VW TAKEOVER PROMISES A SECURE FUTURE FOR SEAT

Spain writes off its car maker

BY DAVID WHITE IN MADRID

THE RESURRECTION of Seat, the Spanisb car company, is in sight. The way is clear for a takeover deal to be signed with Volkswagen and ratified by the Spanish Governmeot by May or June.

As a third arm of the VW-Audi group, Seat is schieduled for a total revamping, with planned investments during the next 10 years of at least $3hn. This is a scale of commitment that Seat's present owner, the Spanish state holding company Instituto Nacional de Industria (INI), weighed down by losses in other sectors, could not even contemplate.

The recent decision by VW's board, led by chief executive, Mr Carl Hahn, gave the West German group the go-ahead to negotiate the purchase, first of a 51 per cent stake for about $290m, and later the rest of the capital. The decision was greeted by Madrid officials with immense relief.

The Socialist Government had been hoping to get rid of both Seat, the country's largest carmaker, and Enasa, its biggest truck producer, before EEC entry in January this year. General Motors' truck division, after discussing an industrial plan with Enasa, decided last autumn against going ahead with takeover talks and switcbed its attention to the UK. For a time, there were fears that VW might get cold feet, too.

Both Spanish companies were abandoned by previous partners, that because of their own problems, stalled at the idea of majority control – Fiat in Seat's case, International Harvester in Enasa's. In the interim Seat, with VW's assistance, came out with its first own-design cars, Enasa made a big effort to develop its own technology, and both strengthened their presence outside Spain. But there was no prospect of either going it alone.

Enasa has been studying an alternative deal with Toyota. But what the Japanese group bas proposed would be a looser link-up than the aborted GM plan, and what INI really wants is to get out.

"The political decision has been made to abandon the motor sector," says Mr Javier Alvarez Vara, a top INI manager involved in the VW negotiations.

The state group is putting Pta 16hn ($113m) into the equity increase at Seat through which VW is to establish its 51 per cent control. But it intends to put in no more capital after that.

The VW takeover will have cost the Spanish Government more than Pta 300bn. This includes covering Seat's accumulated losses to date (but not any future losses), reinforcing the car company's financial structure in preparation for the purchase, and filling the gaps created by Seat's previous accounting methods, found not to conform to international norms.

The Government agreed last December to a financing package of Pta 185bn, taking over responsibility from INI for Seat's outstanding debts in order to leave VW with a "clean" company.

Details of the takeover have still to be worked ont, including government compensation for Seat's 1985 loss, estimated at Pta 35bn–Pta 36bn, in line with the two previous years.

Mr Carlos Solchaga, the Economy and Finance Minister, told parliament recently the price was reasonable as there was no other way of guaranteeing Seat's survival. The Government, he said, had considered the alternative of closing Seat down, but it would have been just as expensive and would have cost more than 20,000 jobs.

Seat jobs – which have already been cut from 32,000 in 1980 to 23,500 – are to be trimmed under the VW plan to 21,000 at the end of this year and to below 20,000 in 1990 – less if the group opts to build a completely new manufacturing facility.

VW plans either to rebuild Seat's plant at Barcelona, which is to become its headquarters instead of Madrid, or huild a new one at nearby Martorell – a more expensive option that would bring the investment programme up to an estimated $3.6hn. The programme also includes a new engine plant.

Seat was set up in 1953 with control shared between Fiat and the Spanish state and relying on Fiat design and technology. The Italian group was to have taken over completely but pulled out in 1980. Seat, now state-owned, has continued to make versions of Fiat models, sometimes clashing with Fiat itself on export markets.

A curious aspect of the VW takeover is in having a VW subsidiary making what are essentially Fiat cars, alongside Volkswagen's and Seat'a own Ibiza and Malaga models.

After Fiat's withdrawal, the Spanish talked with Japanese companies before negotiating a 1982 industrial co-operation agreement with VW. At the time they were not seeking money so much as a new model range and a network of export outlets. But in 1984, under the Socialist Government, INI began to raise the idea of direct VW participation.

By now Seat is already making VW Polo, Passat and Santana cars, and the aim is for VW models to continue to account for about a third of production – including a new mass-market small car.

Negotiations have brought a compromise between VW and the Spanisb authorities on production levels and jobs, with a target of 400,000 cars a year in 1990, compared with 347,000 (including light vans) last year.

With a big sales drive in Europe – unit exports rose 39 per cent last year and accounted for 60 per cent of production – Seat has regained its old position as the leading Spanish carmaker.

VW's entry means Spain will be host to five multinationals in the saloon car business – after Renault, Peugeot (with both Citröen and Peugeot-Talbot subsidiaries), Ford and General Motors – and reinforces Spain's place in the EEC as a producer of small cars.

In contrast to reactions in the UK over prospects for the sale of parts of BL, the VW takeover plan has generally gone down well in Spain. The only real opposition comes from the Communist Workers' Commissions Union, which says it is good only for jobs in West Germany.

Daibatsu sets sights on Europe, Page 4

Finance Minister Silva Herzog

Mexico reduces financial needs to $6bn

By David Gardner in Mexico City

MR Jesus Silva Herzog, the Mexican Finance Minister, has scaled down the country's new financial requirements for this year to about $6bn from estimates which have been as high as $10bn.

This goes a long way towards meeting arguments by the US Treasury last week that Mexico is asking for more than it needs in its current difficulties caused by the oil price collapse.

Mr Silva Herzog is still pressing international creditors for interest relief on Mexico's $97bn foreign debt. This is a principle Mexico has been seeking to establish since President Miguel de la Madrid announced on February 21 that the country was no longer in a position to service its debt fully because of a sharp drop in oil income.

The new financial requirements were revealed in an oblique written statement from the Finance Minister on Monday night. Mr Silva Herzog said the "margins of flexibility" in the original budget for 1986, plus measures that would be taken because of the oil market collapse, would allow for a substantial reduction in the country's net new money needs.

The statement made clear that this reduction was all the more reason for Mexico's creditors to make concessions on the country's interest bill, so that "they share in the effort being made by Mexican society to assimilate such a drastic fall in oil export revenues."

The scaled-down requirements clearly anticipate substantial public spending cuts, in exchange for which Mexico is understood to be seeking a reduction in payments equivalent to an interest rate cut of at least 2 per cent.

Mexico's total debt service bill this year was originally calculated at $11.2bn, of which $10bn is interest.

The Finance Minister's statement comes in advance of a fresh round of talks in Washington this week to be held by Mr Silva Herzog with US financial authorities, the World Bank, the International Monetary Fund and "immediately afterwards" with Mexico's international creditors.

The statement characterised last week's talks in Washington as "barely the opening contact" in "complex and arduous negotiations designed to confront the debt problem head on." However, it said both sides had already ruled out the possibility of the US authorities providing bridging finance.

In presenting its new figures, the Finance Ministry said:

● This year's imports, projected at $14.2bn, would now probably be "less than $13bn."

● Non-oil exports should increase by $500m, as a result of higher coffee prices, a "slight recovery" in manufactures, lower than anticipated domestic demand, and a more competitive exchange rate.

● The interest bill would be $800m less, since the Ministry says it had originally calculated an average rate of 10.4 per cent, or about 1 per cent more than now anticipated.

● Mexico would no longer seek to build up its reserves – thought to be about $3bn – by $1.2bn through further indebtedness.

Third World debtors' meeting, Page 4

THE LEX COLUMN

The Chancellor provideth

For a British bank to produce an increase in after-tax profits of 54 per cent just before a budget is not generally sage. It borders on the provocative when the Chancellor of the Exchequer is known to be hankering for revenue out of the City and the bank's growth before tax was but 20 per cent before some considerable tinkering with the bad-debt charge.

At the pre-tax level, National Westminster reported profits of £804m, which were inflated a little by a change in depreciation policy on properties and some heavy dealing profits from gilt-edged. However, no Chancellor would cry out for windfall taxes when net interest income grew by a mere 8 per cent and margins on mortgage business – to which NatWest is committing another £1bn this year – and fixed-rate lending were under great pressure for a good part of the time.

After tax, it is a different story. In anticipating tax relief on its provisions against sovereign debt, by making a transfer of some £100m from its general to tax-deductible specific reserve, NatWest may have had a nudge from the Inland Revenue; and it is no more than common sense to recognise that country loans can lose every last cent of their value just as easily as those to companies. But what is sauce for the Revenue is not necessarily sauce for the Chancellor, who appears to have lost out on some £80m in tax revenue and may not have considered this quite his role in the Baker plan.

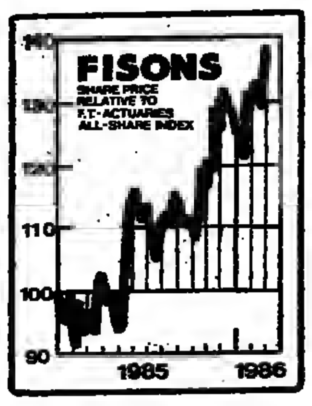
Perhaps the problem of sovereign debt is so epoch-making that it really should be borne by society; but then again, the penalties of bad lending policies are usually carried by shareholders, not by the public chipping in. NatWest has, admittedly, been more than generous in its general provisions and was most careful not to identify the sovereign bad debts involved. Otherwise, presumably, the debtor involved could put the arm on every one of its creditors.

Property unitisation

Residential landlords with oversize properties weighing on their books have long since fallen back on subdivision; a few pieces of chipboard, a bit of plaster and a new set of doorbells can convert the most ungainly Victorian pile into a stack of marketable units. The financial equivalent, unitisation of commercial property, is an idea that has been kicking around for quite a while. Like unitisation of investment trusts, unitisation of unwieldy buildings is seen as a way of persuading the market to close up the discount.

The outline proposals for the creation of a unitised property market will thus command a good deal of interest among institutions who are long on lumpy developments. If the market were to become reasonably liquid, moreover, it would do more than solve an inventory problem; valuations across the board would be continuously subject to the test of a public market price. To get that liquidity, however, the proposed market may have to do more than give institutions yet another way to participate in each other's risks.

Fisons



The Fisons success story runs and runs. The share price has been edging higher for most of the past week in anticipation of splendid preliminary results and yesterday, when the group produced a 50 per cent increase in pre-tax profits to £72.3m, it added a further 8p to stand at a record 528p. That places Fisons among the most highly rated stocks in the most highly rated sector of the equity market. Even on the fairly conservative assumption that profits this year will total £85m, the prospective multiple is over 20.

On the record of the past year – let alone the past six – it is tempting to give Fisons the benefit of any doubt. The group has shown a strong improvement in each of its three divisions, despite a depressingly low incidence of hay fever in Northern Europe, and has proved a wizard at cash, currency and tax management to boot. But the stock market is still asking a great deal from a company which will need to pedal harder than ever to maintain the momentum and compensate, at the pre-tax line, for a tax charge which must soon rise from 21 per cent to near the standard 35 per cent rate.

For 1987 and beyond, hopes are pinned on the development on Tilade, a drug which Fisons says will tackle reversible obstructive airway diseases, better known as asthma. Tilade has an eventual profit potential of at least £30m a year, but the market appears scarcely to be discounting the possibility of regulatory hold-ups or marketing disappointments. All those airway diseases are already in the price.

Unilever

The fourth quarter at Unilever is such a miscellaneous item that it would be a mistake to dwell on the precise results. But there is equally no quarrelling with a 12 per cent underlying improvement in annual pre-tax profits. In last year's currency Unilever would have been pushing hard on £1.1bn; as it turned out, the City of London was happy enough with a stated 3 per cent increase to £954m, and New York is looking at dollar earnings growth of 29 per cent.

In the US, Lever Brothers is spending hand over fist to establish Surf as a leading national detergent; despite real progress from the margarine business – now the market leader by some distance – detergent promotion costs cut dollar profits by nearly a third. Similarly determined action is needed to turn round personal products, where US brands of some size need to be added to a thin-looking portfolio; a single large acquisition still looks the best option if Unilever's nerve can stand it.

Reshaping elsewhere will in any case show through increasingly this year. Unilever has already regenerated the cash it spent on Brooke Bond, and whatever happens to trading will at any rate show growth at the net interest line this year, to compensate for failure in the US acquisition stakes.

Japanese firms face London SE delays

By Barry Riley in London

AS NOMURA, the biggest Japanese securities house, yesterday celebrated admission to membership of the London Stock Exchange, it emerged that three other applications by Japanese firms are snarled up in the procedural pipeline.

Daiwa, Yamaichi and Nikko have all filed applications for membership – allowing them to transact business on the floor of the stock exchange – but an exchange spokesman thought it unlikely that negotiations would be completed for several months.

"A lot of technicalities have to be gone through," he said. He also acknowledged, however, that "relations between the Japanese Government and the British Government will have a bearing on our decision."

Complex negotiations are continuing between the two governments on the question of banking status for the Japanese securities bouses in London, and the separate issue of access by foreigners to membership of the Tokyo Stock Exchange. Only one wholly British-owned securities firm, part of the S. G. Warburg group, has been granted Tokyo membership so far.

It is understood that Nomura has been talking to the London exchange for some time, and its application was processed well ahead of those of its rival Japanese firms.

Nomura International will open up this morning as a broking member firm of the London exchange. Mr Hitoshi Tonomura, president and managing director, said it was especially gratifying to have been elected in the 21st anniversary year of the firm's opening an office in the UK.

Merrill Lynch, the US investment bank, was also approved for membership of the exchange yesterday. It has set up two new firms, Merrill Lynch and Merrill Lynch Equities, and has also taken 100 per cent control of Merrill Lynch Giles & Cresswell. These firms will trade separately until October

UK ministers may press for crackdown on Ulster loyalists

BY MARGARET VAN HATTEM IN BELFAST

THE UK Government yesterday reacted with fury to Monday's day of action in Ulster and the mounting evidence of passivity by police and Unionist politicians in the face of blatant loyalist intimidation.

Amid reports in Whitehall of prime ministerial wrath over the violence of the one-day strike, called in protest against the recent Anglo-Irish agreement, Mr Tom King, the Northern Ireland Secretary, ruled out any possibility of the agreement, which gives Dublin a say in the affairs of the province, being suspended.

Ministers are re-assessing the handling of the strike and pressure is building for a crackdown on loyalist rebels, with a heavy army presence in future demonstrations.

The general consensus is that no one has emerged unscathed from Monday's protest. Mr James Molyneaux and the Rev Ian Paisley, leaders of the two main Unionist parties, seeking to preserve Ulster's ties with Britain, are among the severely damaged.

After their volte face after last week's meeting with Mrs Margaret Thatcher, the Prime Minister, and their subsequent passive role in the strike while paramilitaries took control, they are regarded as unable to speak for their supporters, to lead, control or to accept responsibility for them.

The Royal Ulster Constabulary who opted for light policing and avoidance of confrontation where possible, are being widely blamed for failing to honour their pledge to keep roads open and protect those trying to get to work.

A third of the 670 road-blocks erected in the province remained in place; and on many of these, the passive police presence has led to charges of sectarian collusion.

The Government has been exposed to charges of failure to act decisively. Parallels are being drawn with 1974, when the failure of Mr Harold Wilson's Labour Government to take a tough stand allowed the Ulster workers strike to gather a momentum that surprised even the strike leaders.

As Unionist leaders yesterday publicly dissociated themselves from the violence and privately blamed each other for the decision to become involved in the strike, the strains in the Unionist coalition became ever more apparent.

Mr Molyneaux and Mr Paisley cancelled a joint press conference and were unable until late in the afternoon to agree a terse joint statement.

The Unionists are now desperately attempting to present the violence as evidence of the deep hostility in Ulster to the Anglo-Irish agreement, and of the volatility and instability of the people while it remains in place.

Individual Unionist politicians are looking to their rapidly shrinking band of supporters in London to press their case for suspending the agreement. This, they say, would give them breathing space to negotiate on matters such as power-sharing and devolution.

Their case is not, however, being taken at face value. Much of the sporadic violence during daylight on Monday – including burning of cars, rioting, stoning of police and smashing of shop windows – was perpetrated by gangs of youths with little political motivation.

Background, Page 6

UK plans levy on audio tapes

BY PETER RIDDELL IN LONDON

THE BRITISH government will introduce a levy on blank audio tapes but almost certainly not on video tapes after its third change of mind in just over a year.

The levy is expected to be fixed at a maximum of 10 per cent of the retail price of a blank audio tape, of which more than 50m are sold annually in Britain. This works out at about 10p per tape and could raise about £5m a year.

Mrs Margaret Thatcher, the Prime Minister, has been persuaded that the record industry and performers should be compensated for the loss of income arising from the large-scale home taping of music.

A crucial factor was apparently an intervention from Mr Norman Tebbit, the Conservative Party chairman and a former Trade and Industry Secretary. He argued that permitting home taping of music without a levy amounted to "theft."

Ministers have decided, however, against imposing a levy on video tapes. They have accepted the argument that most video recording represents "time shifting" of television programmes which are recorded for later watching by a viewer. Such recordings are generally erased after one viewing, in contrast with the taping of music, which is for multiple use.

The proposal for a levy on audio tapes will be included in a White Paper (policy document) due to be published after Easter, on copyright law reform. Powers may be taken to impose a levy on video tapes but ministers will indicate that this will not occur.

The decision follows a seesaw debate on the issue. After the rejection of such a levy in 1981, the Government provisionally agreed to its introduction in February last year. However, when Mr Leon Brittan became Trade and Industry Secretary last September, he ordered a rethink of the proposal.

Mr Geoffrey Pattie, the Minister for Information Technology, throughout this period has favoured the introduction of such a levy despite the changing views of his three secretaries of state. He has publicly indicated that such a levy is desirable as part of the general review of copyright law, and in the latest discussions he received support from Mr Tebbit.

The copyright law White Paper was originally due to be published last autumn but its eventual publication later this spring will precede the introduction of major legislation in the 1986-87 parliamentary session.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

London curbs defence tactics

Continued from Page 1

On Friday, in a move clearly aimed at Morgan, the Bank of England said that share purchases which took an individual bank's exposure to a particular company above 25 per cent would not normally be regarded as prudent. Where a bank was already committed to a large exposure it would discuss arrangements to bring its position in line with the new requirements as soon as possible.

On Monday, Morgan responded by arranging for a consortium of banks to acquire shares in Distillers to the value of £111m, with Morgan acting simply as agent to the new consortium.

BL arm faces four offers

Continued from Page 1

ments, he said, "and those decisions are taking it closer and closer to Honda."

He said all Austin Rover's future designs would rely heavily on Honda – "and Honda is designing vehicles to use Japanese components and Japanese suppliers."

Mr Mark Snowdon, Austin Rovers managing director, product development, said that as far as his company was concerned the Ford talks had ended for good. He insisted that Austin Rover would maintain its independence from Honda and, denied that its future cars would be based on Honda designs.

Botha pledge on emergency

Continued from Page 1

Mr Pik Botha, the South African Foreign Minister, subsequently made clear that the date of August 1 set by the President was not a deadline but a target. But by setting a date, South Africa has passed the ball into the court of the Angolan Government.

The decline in the price of oil, which accounts for about 90 per cent of Angola's hard-currency earnings, has increased the pressure on Angola to seek a negotiated settlement.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday March 5 1986

Shamrock plans to sell two major subsidiaries

BY WILLIAM HALL IN NEW YORK

DIAMOND SHAMROCK, the Dallas-based energy group which has been hit by the slump in world oil prices, yesterday announced a major shakeup of its top management team and said that it had put its coal and chemical operations, two of its biggest and most profitable businesses, up for sale.

The company, which lost $604.7m in 1985, said yesterday that its board of directors had authorised management to pursue a "series of strategic changes which would streamline the corporation and focus resources on the oil and gas business."

The group also announced it was cutting its workforce by 800. Its international and domestic exploration companies are to be consolidated and the group is looking for a new president for the combined venture.

Diamond Shamrock's announcement is the latest and most visible sign of the upheavals within the US oil and gas industry caused by the slump in oil prices over the past 3½ months.

Mr William Bricker, the group's chief executive, said: "In spite of the recent worldwide turmoil in the oil and gas business, we are fully confident in the long-term viability of this industry.

"If the oil and gas business rebounds within the next few years the strategy announced today would allow us to redeploy corporate assets into our prime business, oil and gas exploration, on a timely basis. If the turnaround period is longer, it is still the right strategy because we would have the added financial capacity to withstand an extended period of lower prices," said Mr Bricker yesterday.

In 1985, the group's coal operations had sales of $236m, operating profits of $26.3m and employed 1,700 people. The chemicals operations had sales of $736m, operating profits of $121.1m and employs 4,200. Diamond Shamrock's worldwide workforce totals 11,500 and in 1985 the group achieved sales of $4.1bn.

The Diamond Alaska coal company, which is a separate subsidiary and has more than 1bn tons of coal on order for electric power generation in Japan, Taiwan and Korea, is not included in the potential sale.

Mr C. Barton Groves and Mr C. Dale McDoulet, presidents of the group's exploration companies, have stepped down but will remain corporate vice-presidents during the consolidation period. Diamond says that it expects to maintain significant international and domestic exploration programmes but that the combination of the two subsidiaries "makes sense in this environment."

The company, which cut its dividend last year, said it expected no change in its current dividend or the cash distribution from its master limited partnership, Diamond Shamrock Offshore Partners. The group's shares, which have been weak in recent months, rose by $⅛ to $11⅛ in early trading yesterday.

Royal Bank of Canada shows continued growth in profits

BY ROBERT GIBBENS IN MONTREAL

ROYAL Bank of Canada, the country's largest chartered bank, produced higher profits in the first quarter of fiscal 1986 and says it can withstand the impact of lower oil prices on its large energy loan portfolio.

Net income was C$140m (US$98.6m) or C$1.22 a share, against C$126.1m or C$1.13 a year earlier on an average 100m shares outstanding, against 95m shares.

The latest profit figure was 6 per cent higher than for the fourth quarter of fiscal 1985.

The result continues a high earnings trend which began in the third quarter of fiscal 1985. Net interest margins were maintained, non-performing loans were lower and fee income strong.

Total assets reached C$86.7bn, up from C$80.4bn a year earlier, reflecting strong consumer loan business and higher values for US dollar-denominated assets.

Return on average assets was 0.58 per cent against 0.56 per cent a year earlier. Domestic returns were higher but international returns lower.

Non-accrual loans, net of provision for loan losses, were C$2bn at January 31, down C$700m, with improvement coming in both domestic and international sectors.

Loan loss experience for all fiscal 1986 is estimated at C$800m, up sharply because of higher provisions on some foreign risks and to cover possible impact of lower oil prices.

● In Vancouver the Bank of British Columbia denied reports it may merge with another bank. It said no talks were under way. "The bank is perfectly viable and profitable but arrangements have been made with the Bank of Canada for liquidity advances," said Mr Edgar Kaiser Jr, chairman, "and the bank has received full support from the governments of the western provinces."

Mr Kaiser said the bank was well capitalised and its loan portfolio had stood up to a recent audit. "Our customer base remains loyal, the Bank of Canada is behind us 100 per cent and we are here to stay."

Gulf & Western up 41% in quarter

BY OUR FINANCIAL STAFF

GULF & WESTERN, the US conglomerate, yesterday reported a 41 per cent increase in first-quarter income, as strong gains from financial services and publishing more than offset a decline in profits on the entertainments side.

Net earnings rose from $24.5m, or 35 cents a share, to $34.2m, or 55 cents.

However, the earlier period excludes income of $21.5m from the former consumer and industrial products group, sold to Wickes in September for $1bn.

Sales in the latest quarter were $862.3m, against $811.4m a year earlier. The latest figures reflect a change in the year-end from July 31 to October 31.

The company's commercial and consumer finance company, Associates Corporation of North America, had solid gains in the quarter, helped by an increase in receivables outstanding and declining interest rates.

Operating income on the publishing side was well ahead as operating margins widened. This followed consolidations of acquired businesses.

Business information was helped by increased subscriptions, while professional information services benefited from growth in sales of software products for tax preparation.

In entertainment, a fall in movie profits more than offset gains from television and videocassettes and the absence of losses a year earlier from video game operations, now shut.

Paramount, the company's film studios, had a disappointing showing for its two Christmas releases, Clue and Young Sherlock Holmes.

Mr Sam Armacost

Bank of America says no to Weill

By William Hall in New York

BANKAMERICA, the troubled US west coast banking group, has rejected a second attempt by Mr Sandy Weill, the former president of American Express, to become chief executive and has unveiled a major management reshuffle.

After a five-hour board meeting in Los Angeles on Monday, the board said it was "not desirous of making a management change."

In a highly unusual move which had captivated Wall Street, Mr Weill had offered to raise $1bn in new capital through Shearson Lehman if he was made chief executive.

The group also announced that Mr Sam Armacost, the group's chief executive, had been appointed to the additional post of chairman of Bank of America, the group's main operating subsidiary, replacing Mr Leland Prussia. Mr Thomas W. Cooper, an executive vice-president, has been named as president and chief operating officer of the bank. Mr Prussia, the group chairman, has been named chairman of the executive committee of the bank and will concentrate on "critically important areas of money and loan policy."

BankAmerica shares, which had risen from about $12 to $17⅝ on the rumours of Mr Weill's approach, fell for the second day running yesterday and by midday were being quoted at $15⅜, down $⅝.

Mr Franklin Murphy, one of the group's outside directors and chairman of the executive and nominating committees, said in a letter to Mr Weill that "the outside directors unanimously agreed that we have no interest in considering you as a candidate for the chief executive officer's position."

Mr Armacost said the group's investment bankers had offered to raise the $1bn of extra capital if needed but said that they had "expressed serious questions as to whether such a financing programme would be in the best interests of stockholders under the circumstances."

Mr Armacost said that on the subject of Mr Weill's "other undisclosed plans" for the corporation, he had requested that Mr Weill send "a statement of your entire plan to me by air express without delay so that I may receive it no later than Thursday, March 6."

Mr Armacost assured Mr Weill that the plan would "receive full consideration." There was no immediate response from Mr Weill or his advisers.

However, one of Mr Weill's former colleagues at American Express said that while this might be the end of the affair as far as Sandy Weill was concerned, he doubted whether it was the end of the affair for BankAmerica, which has come in for considerable criticism for its poor earnings performance in recent years.

US SETBACK HIGHLIGHTS RELIANCE ON EUROPEAN OPERATIONS

ITT enters office systems market

BY QUENTIN PEEL IN BRUSSELS

ITT, the US-based multinational, yesterday announced a belated assault on the rapidly-growing European business systems market to complement its substantial European telecommunications business.

The unveiling of an integrated range of hardware and software products, called Office 2000, comes less than three weeks after the ITT decision to abandon its efforts to break into the US telephone exchange market with its advanced digital System 12 exchange.

The two moves confirm ITT's renewed reliance on the European market as the main base for its telecommunications and related interests.

The new range – and a marketing strategy which will in future put ITT's own name on all its European products – was presented yesterday by Mr Daniel Weadock, president of ITT Europe, at the company's headquarters in Brussels.

He forecast that business systems would account for ITT sales in Europe of almost $1bn in 1986, out of total European business of some $4.5bn. The aim was to double the business systems turnover in the next five years.

The Office 2000 range of products has been developed over the past three years by all ITT's different European subsidiaries and affiliates, resulting in a common system for all. It includes equipment for office handling of voice, data, text and image transmission.

The range includes products ranging from improved digital switchboards to a digital voice-and-data telephone, described as an "industry first," developed by the Bell Telephone company in Belgium.

There is a strong emphasis on the ability of the system to interconnect with existing equipment and to integrate differing communications systems, including optical fibre, co-axial links, and regular twisted wire pairs.

The system includes "building distribution cabinets" to interconnect differing wiring and cabling systems within one office and places particular emphasis on flexibility.

Mr Weadock said the move would reinforce ITT's commitment to Europe, which would benefit from the decision to close down the System 12 US project.

"Our commitment to System 12 in European countries and those outside of Europe to which we export is firm," he said.

Production of equipment for the Office 2000 range will be spread around the European affiliates,

Ambrosiano profits at L23bn

BY ALAN FRIEDMAN IN MILAN

NUOVO Banco Ambrosiano, the successor bank to the late Roberto Calvi's Banco Ambrosiano, yesterday reported a L23.4bn ($15.6m) net profit for last year.

The results are neither consolidated nor comparable with any previous figures, in part because of the merger last October of Nuovo Banco Ambrosiano (NBA) and its La Centrale financial subsidiary. NBA made a L1.1bn profit for the six months to December 1984, the last available result.

Mr Giovanni Bazoli, NBA chairman, said that L14bn of the profits came from the main bank in the 10-month period to the end of October. This included about L1bn of La Centrale profits for the period between June and October. The other L9.4bn came from the new combined entity in the last two months of last year.

Provisions for bad and doubtful debts totalled L23bn in 1985, against L14bn in 1984. Total deposits at NBA rose by 19.86 per cent to L4,735bn last year, while loans increased by 17.54 per cent to L3,460bn.

Mr Bazoli admitted yesterday that last year's results "are not homogenous." The NBA chairman also called them "aggregate" sums rather than consolidated. Aside from the La Centrale merger, this is also because NBA has changed its year-end to December, while La Centrale closed its books in June.

NBA is now quoted on the bourse, having taken the listing previously held by La Centrale. The bank has 105 branches, 3,680 employees and ranks as the 31st bank in Italy. The group also owns 47 per cent of the lucrative Banca Cattolica del Veneto, which has L4,935bn of deposits, more than NBA. Mr Bazoli said yesterday he was unable to release Cattolica's 1985 profit figure.

A pool of 10 banks, two of them state-controlled, owns 53.85 per cent of Nuovo Ambrosiano and has 59.55 per cent of voting rights. The two state banks are Banca Nazionale del Lavoro (9.03 per cent), Italy's largest bank, and Istituto San Paolo di Torino (6.92 per cent).

Higher prices pay off for Ford Europe

By Kenneth Gooding in London

FORD OF EUROPE's decision to sacrifice some car-market share by raising prices and unit profit margins paid off last year and its net profit jumped from $147m in 1984 to $326m. It was also well ahead of the $281m figure for 1983.

The profit surge came at a time when Ford's share of the West European car market fell from 12.8 per cent to 11.9 per cent and unit sales declined marginally from 1.3m to 1.26m.

Mr Bob Lutz, who returned as chairman of Ford of Europe 16 months ago, said the profit increase also stemmed from a number of other factors. These included a successful attack on costs, a well-received launch of several products – including the Scorpio-Granada executive car and the new Transit van range – and a "richer mix" with more higher priced cars in the total.

He hinted that before long Ford of Europe might return to making profits to match the $1bn reached in 1980. "With the progress we are making and the medium-term growth we are expecting in many European economies, I am fairly confident of reaching traditional Ford of Europe profit levels in a few years," he said.

Pharmacia lifts earnings 16%

BY DAVID BROWN IN STOCKHOLM

PHARMACIA, the Swedish pharmaceuticals and biotechnology group, increased its profits last year by 16 per cent to SKr 741m ($103m) after financial income but before appropriation and taxes, compared with SKr 637m in 1984. But it expects much slower growth this year.

Turnover last year climbed by 19 per cent to SKr 3.39bn and licence and other income by 70 per cent to SKr 156.7m. Operating earnings, after 28 per cent higher depreciation, grew 20 per cent to SKr 684m.

The board has recommended a dividend of SKr 1.25 per share, up from SKr 1 the previous year.

Much of the increase in turnover was generated by higher volume and new products, with price increases accounting for only 2 per cent of the rise. Tough price competition means sales are unlikely to grow by more than 10 per cent this year, the company says, and earnings after financial costs are expected to rise at a slower rate.

The biotechnology division reported sales climbed 27 per cent during the year to SKr 826m, while the pharmaceuticals and diagnostic products division saw turnover climb 16 per cent to SKr 2.34bn.

Pharmacia is 40 per cent owned by Volvo.

French bank plans financial futures unit

By David Marsh in Paris

SOCIÉTÉ Générale, the third largest French nationalised bank, plans to set up a specialised subsidiary with other financial institutions to handle transactions on the Paris financial futures market.

The new venture, to be called Banque de Gestion des Instruments Financiers, is to have a capital of FFr 15m ($2.2m) with the Société Générale group likely to hold a stake of at least 70 per cent.

The institution is the latest in a string of specialised financial subsidiaries set up by French banks to carry out operations on expanding markets. It represents the first time, however, that a major bank has set up a separate organisation for financial futures trading, which started in Paris nearly a fortnight ago and has proved much more active than originally expected.

Bremer Vulkan plans to raise DM 145m

BY RUPERT CORNWELL IN BONN

BREMER VULKAN, the leading West German shipyard, plans to raise DM 145m ($65m) of fresh funds by means of a three-for-four rights issue of new DM 50 nominal shares at DM 110 each. This will lift its capital to DM 154m from the present DM 88m.

Mr Norbert Henke, chief executive, told an extraordinary meeting of Vulkan shareholders that the concern, which has been drastically reshaped in recent years, broke even in 1985 after achieving small profits in 1983 and 1984.

The other two Major Vulkan group members, Schichau-Unterweser AG and Lloyd-Werft Bremerhaven, respectively broke even and registered a profit last year, Mr Henke added.

The DM 110 offer price for the new shares compares with a recent bourse price of about DM 150. Vulkan's major shareholders are the Bremen state government, with 29 per cent; Thyssen-Bornemisza, with 22 per cent; and Hapag-Lloyd, the shipping and travel company, with 11 per cent.

Technically, the new shares will rank for dividend from January 1985, although Mr Henke said no payment for last year was likely. He forecast that all three yards in the group would break even this year and that the new capital injection would make the group more competitive.

Mr Henke said the volume of orders in hand would assure no short-time working in 1986, although he gave no figures. He denied knowledge of recent rumours that Messerschmitt-Bölkow-Blohm, the aerospace group, would take a stake in Vulkan.

New bid emerges for Alamito

BY TERRY DODSWORTH IN NEW YORK

A NEW bidder has thrown its hat into the ring in pursuit of Alamito, an electrical power wholesaler based in Tucson, Arizona. It became a serious takeover prospect when a team of its own managers launched a $288m bid.

The new $128 a share offer, from a group of investors which intends to form a company called Megawatt, values Alamito at about $294m. It follows a previous outside bid for about the same amount from a Boston-based investment concern, Homans McGraw Tully Valeo.

In an apparent indication that the latest offer stands a reasonable chance of success, Alamito said yesterday that the bid from the company's own management group was running into financing difficulties. Funds for the $125-a-share offer "might not be available after all," the company said, and it has postponed its special shareholders' meeting on the buyout from tomorrow until March 18.

The alternative outside bid from Homans McGraw has also run into problems, since the Alamito board has rejected it as "deficient" on the grounds that it would put the company into default under its $387m Eurodollar credit agreement.

The Boston company was offering to acquire Alamito with a mixture of stock, including a 20-year 12 per cent debenture with a principal value of $152, and one new preferred share valued at $10.

Tha Megawatt offer is also subject to a "definitive financing commitment." But the company has told Alamito that it has obtained a financing proposal from General Electric Credit Corporation, the financing arm of the General Electric group, to provide $260m of financing for the merger. It added that Megawatt would have $20m of equity capital.

Benetton seeks Milan listing

THE BENETTON group, Italy's biggest fashion clothes and knitwear company, has requested a listing on the Milan stock exchange, a company spokesman said.

The spokesman said at the group's headquarters near Venice, that Benetton formally applied to the stock exchange authorities for a quotation yesterday, Reuter reports.

"Our plan is to have the company ready for flotation on the bourse before the summer," the group spokesman said.

He added that Benetton Spa, the group's parent company, achieved net profits in 1985 of L70bn ($46m), more than double the previous year's profits of L34bn. Parent company turnover rose L850bn from L632bn.

INTL. COMPANIES

EMS expects 30% growth at year-end

BY JOHN WICKS IN ZURICH

EMS, the Swiss chemical group, expects a further increase of about 30 per cent in the financial year to April 30. This would follow a 15 per cent growth of consolidated sales in 1984/85 to SFr 391m ($208m).

During the first nine months of the current year, group turnover was up 35 per cent over the corresponding period, about half of this growth accounted for by the acquisition of the automotive products concern Togo.

Chemical-engineering sales doubled and those of plastics and synthetic fibres rose by 17 per cent and 10 per cent, respectively.

The group said profits rose faster than sales in all sectors, particularly in the chemical-engineering, Togo and plastics divisions. For 1985/86 as a whole, EMS expects cash-flow to rise by "at least to 40 per cent."

In the previous financial year, operational cash-flow – which excludes extraordinary income of SFr 18.1m – jumped by more than 80 per cent to SFr 55.1m.

GM plans share buy-back

BY OUR NEW YORK STAFF

GENERAL MOTORS, the world's largest vehicle group, plans to spend almost $2bn on a share repurchase programme in which it will buy in almost 9 per cent of its own equity.

The company gave few details of the programme but it follows a spate of similar moves by large US corporations last year. A number of cash-rich companies said they were repurchasing shares because their shares were selling too cheaply on the market.

Although the US stock market has risen sharply since many of these schemes were launched, GM's shares are well below the heights achieved early last year. At the same time, GM is still carrying surplus cash in its balance sheet, with about $5bn of liquid resources at the end of last year, despite the acquisition of Hughes Aircraft.

The buy-back will be spread disproportionately between the three different classes of GM common stock. Up to 10m of the parent company's shares may be acquired for $725m. GM also plans to spend about $350m to buy back 8.5m Class E shares which represent equity in the EDS electronics group and a further $825m to buy back 21.5m H shares, which relate to Hughes Aircraft assets.

The heavy spending on H shares should give a boost to the price of the stock, which has slumped this year.

U S. QUARTERLIES

CASTLE AND COOKE
Foods

Second quarter	1985-86 $	1984-85 $
Revenue	329.9m	329.8m
Net profits	*3.3m	*9.4m
Net per share	*0.21	*0.37
Six months		
Revenue	803.5m	833m
Net profits	2m	*8.3m
Net per share	*0.24	*0.51

* Loss

IDEAL BASIC INDUSTRIES
Building materials

Fourth quarter	1985-86 $	1984-85 $
Revenue	64m	71m
Net profits	*326.2m	*3.7m
Net per share	*23.65	*0.36
Twelve months		
Revenue	298m	311.8m
Net profits	*339m	*16.7m
Net per share	*24.92	*1.60

* Loss (1985 includes $217.4m losses on discontinued ops.)

IVACO
Steelmaker

Twelve months	1985 C$	1984 C$
Revenue	1.34bn	1.19bn
Net profits	35.1m	32.2m
Net per share	1.04	1.53

STOP AND SHOP
Retailing

Fourth quarter	1985-86 $	1984-85 $
Revenue	1.08bn	945.5m
Net profits	19.8m	31.1m
Net per share	1.44	2.42
Twelve months		
Revenue	3.69bn	3.25bn
Net profits	30.3m	54.8m
Net per share	2.20	4.60

WAL-MART STORES
Retailing

Fourth quarter	1985-86 $	1984-85 $
Revenue	2.77bn	2.07bn
Net profits	133.1m	109.4m
Net per share	0.47	0.38
Twelve months		
Revenue	8.45bn	6.4bn
Net profits	327.5m	270.8m
Net per share	1.16	0.96

ZAYRE
Retailing

Fourth quarter	1985-86 $	1984-85 $
Revenue	1.34bn	1.05bn
Net profits	36.5m	34m
Net per share	1.21	1.20
Twelve months		
Revenue	4.04bn	3.19bn
Net profits	94.6m	78m
Net per share	3.23	2.80

Higher loan provisions hit Singapore's largest bank

BY CHRIS SHERWELL IN SINGAPORE

A SURGE in loan provisions of close to 70 per cent has contributed to a 26.6 per cent drop in after-tax profits of Development Bank of Singapore (DBS), the island state's largest domestic bank in terms of assets.

Figures published yesterday for the year to December show group after-tax profits at S$91.3m (US$42.4m), down from S$124.3m in 1984. Provisions for possible loan losses and for diminution in the value of assets were S$109.6m, up sharply from S$64.7m.

The results are the first from the Big Four banks for the year, and DBS competitors ere likely to show a similarly dismal performance. The figures reflect the deterioretion in Singapore's business conditions as the country's gross domestic product contracted for the first time in 21 years.

In particular, a breakdown of DBS results show a 48 per cent drop in profit attributable to shareholders for the second half of the year compared with the same period in 1984. The equivalent first-half figure was a decline of less than 10 per cent.

But analysts pointed out thet, with a cut in corporate tax from 40 per cent to 33 per cent promised for the coming financial year, it makes sense to provide for all possible bad loans now and pay tax on a reduced profit, in the hope of showing a relatively big improvement next year.

According to yesterday's figures, the bank's income declined almost 5 per cent to S$1.16bn, with the biggest component, interest earned, down more than 6 per cent to just under S$1bn. Expenses were down less than 1 per cent to S$1.03bn, but might have been trimmed more if not for the provisions.

The bank says these arose from "lower property values and business uncertainty in the manufacturing sector." While earnings from banking operations increased 8 per cent, it says, non-banking operations—dividends and property rentals—suffered e setback.

For the future, the bank says the continuing economic uncertainty "makes the prospects for the banking industry in 1986 limited." But government initiatives and regulatory changes "may present new growth opportunities."

LIN SECURITIES has become the first Singapore stockbroker to be put into liquidation during the industry's current crisis, Our Financial Staff writes.

Mr Lin Tah Hwa, the managing director, put the firm's debts at S$75m (US$34.85m) against net realisable assets of S$25m. The action against Lin Securities, which was last week brought under the management of the Stock Exchange of Singapore, was instigated by the Oversea-Chinese Banking Corporation (OCBC), one of the Big Four commercial banks.

A$100m offer for Peko Oil minority

By Lachlan Drummond in Sydney

PEKO-WALLSEND, the Australian mining and industrial group, is making an all-share offer for the minority holdings in its cash-rich 54 per cent-owned Peko Oil subsidiary, with the one-for-six terms valuing the outside holdings at some A$100m (US$69.5m).

Peko Oil—previously named Weeks Australia—has about A$120m cash on hand and, after reducting this from the total valuation pleced on Peko Oil by the bid terms, its remaining oil interests are valued at A$100m.

These cover a stake of just over 10 per cent in the Timor Sea block containing the Jabiru field end the promising Challis discovery. Additionally it has producing interests in the Eromanga Basin of south-west Queensland and extensive exploration areas in Western Australia, the Bass Strait, the Gulf of Carpentaria and northern New South Wales.

The offer comes a little more than a year after Peko-Wallsend bought control of Weeks Australia from Mr Robert Holmes à Court's Bell Resources at a cash price of A$1.20 a share.

Peko is to offer one of its dividend-paying shares, trading at A$5.20 at the close yesterday, for each non-dividend bearing Peko Oil share, valuing them at just on 87 cents. This compares with a recent market range of 57 cents to 66 cents and a closing level of 65 cents yesterday.

Peko-Wallsend already has production and exploration interests in the US and UK

The infusion of cash from its oil offshoot will help Peko-Wallsend offset its borrowings, which last June stood at A$250m, a total which will have been increased with the recent A$77m acquisition of a further stake in the Robe River iron venture.

● The Supreme Court of Victoria has rejected an appeal by Bell Resources for the removal of an injunction restraining it from sending out offer documents for the stake it is seeking in Broken Hill Proprietary (BHP), Reuter reports from Melbourne.

The court said the injunction will remain to protect BHP shareholders until the legality of Bell's bid is determined.

CRA raises dividend after earnings surge

BY KENNETH MARSTON, MINING EDITOR

CRA, the Rio Tinto-Zinc group's Australian mining arm, boosted 1985 earnings before extraordinary items to A$87.8m (US$61m or £42.5m), equivalent to 17.8 cents per share, from A$29.5m in 1984.

Extraordinary gains of A$28m from the sales of properties in Melbourne and of the group's timber interests bring total net profits for the past year to A$115.8m or 23.4 cents per share.

The final dividend is raised to 10 cents a share from 4 cents last time to bring the 1985 total to 15 cents against 8 cents.

Net profits before extraordinary items rose in the second half to A$54.1m from A$33.7m in the first six months, but they were increased by A$35.3m as a result of tax deductible foreign exchange losses incurred in the full year by CRA Finance.

The weakness of the Australian dollar brought an overall benefit to the group. Its main effect was to boost export revenue and sales rose to A$4.69bn, including a first contribution of A$560m from Commonwealth Aluminium, from A$3.43bn.

On the other hand, the changed exchange rates led to losses of A$140.8m (A$88.9m in 1984) on foreign currency borrowings. Interest charges rose to A$245.3m (A$168.2m), reflecting increased borrowings and higher interest rates as well as currency considerations.

Group operations made a mixed showing. Hamersley Iron and the coal operations did well and so did the Bougainville copper and gold operation in Papua New Guinea. Results of other non-ferrous businesses, however, were "severely depressed."

Santos defers projects following cut in oil prices

BY OUR FINANCIAL STAFF

SANTOS, the Australian oil and gas producer, is to defer indefinitely some of its exploration and development projects which were originally scheduled for the current year. This follows the sharp cut in official prices for domestic crude.

Sir Brian Massy-Greene, the chairman, said in Adelaide yesterday that the effect of the Canberra decision was to reduce selling prices for Santos crude by up to A$16.80 (US$11.68) a barrel. He added: "The effect on Santos revenues will be material. However, it is expected that Santos will be able to trade profitably at these levels."

He was speaking after the release of 1985 consolidated results for the company. These showed a 71.8 per cent surge in net operating profits to A$144m, on revenues which were 76.2 per cent ahead at A$506.5m.

The attributable outcome was A$90.6m against A$71.1m, weighed down primarily by A$78.8m in provisions for unrealised foreign exchange losses.

The total dividend for the year is being raised from 15 cents per share to 20 cents, although subscriptions to the company's one-for-four rights issue made during the period will not qualify.

Sir Brian described 1985 exploration results as mixed. Sufficient new oil reserves were found to replenish about half the year's production from existing fields, while gas discovered in South Australia more than offset the year's output. Spending associated with these developments totalled A$163m.

APM shows strong growth in opening half

By Our Sydney Correspondent

APM, the Australian paper and packaging group, boosted net equity-accounted profits by 18 per cent to A$46.8m (US$32.5m) in the half-year to December.

On an equity basis, sales were up 46 per cent to A$1.1bn. Counting only APM's majority-owned interests, turnover grew 16.8 per cent to A$680m. On a conventional non-equity consolidation, including only the dividend income from associates, APM's net profit was A$39.54m compared with A$37.04m.

The chief equity-accounted associate is Mayne Nickless, the transport group. It yielded A$3.5m (up from A$2m) after interest costs associated with the A$225m.

APM directors said all the main operations contributed to the improved result, despite high interest rates.

Earnings per share rose from 15.7 cents to 17 cents, and the interim dividend is up from 9 cents to 9.5 cents.

Pak-Suzuki makes steady headway in first full year

BY MOHAMMAD AFTAB IN ISLAMABAD

PAK-SUZUKI Motor Company, the Pakistani affiliate of the Japanese car maker, has declared a 40 per cent dividend for its first full year to June 1985, up from 30 per cent in the previous start-up period.

Production reached 24,284 vehicles, well above official capacity of 17,000 units a year, for a range which includes Suzuki cars, small pick up trucks, vans and jeeps.

Sales were PRs 1.13bn ($76.65m), up 140 per cent from PRs 470m in the initial six months of production to June 1984. Pre-tax profits reached PRs 166.9m against PRs 47.3m.

The company is a joint venture between Suzuki, which holds a 12.5 per cent stake, and the state-owned Pakistan Automobile Corporation (Paco), which has 40 per cent. The rest is held by the Government-operated investment banks and the public.

Japan drafts deposit insurance bill

THE JAPANESE Government has formulated a draft bill to revise the country's deposit insurance law for banks, writes Yoko Shibata in Tokyo.

It would involve the creation of a Deposit Insurance Corporation — the equivalent of the FDIC in the US — which would be empowered to assist banks in taking over financial institutions which encounter difficulties. The bill also clarifies the Finance Ministry's role in advising or arranging mergers in such situations.

If a merger or business rights transfer is considered urgent, a bank would be able to proceed without obtaining prior consent from shareholders. The bill is due to be presented to the Diet (parliament) by the middle of this month.

Unihold Superite reduces losses

UNIHOLD SUPERITE, the South African associate of Burmah Oil which makes mining supplies and motor vehicle components, increased its sales and reduced losses in 1985 through merger and disposal of lossmaking divisions, writes Jim Jones in Johannesburg.

Turnover rose to R74.3m ($37.4m) from R35.9m and the operating loss before interest and tax was reduced to R2.98m from R7.42m. The pre-tax loss was R6.70m against R9.64m.

Pressure builds on Bundesbank to cut discount rate

THERE ARE strong reasons why the West German Bundesbank may decide to cut its key discount rate, from the present 4 per cent, at tomorrow's meeting of its policy-making council. On the international front such a cut would offer more scope for interest rate reductions elsewhere, crucially in the US. Domestically, a cut looks appropriate with the inflation rate *low and falling* while unemployment remains high. If the council does not act now it may well come under growing pressure, not least from the currency markets, to do so ot its next meeting in a fortnight.

That currency point underlines how sharply the international situation has changed since the Group of Five agreed last September on steps to force down the dollar. Soon after that decision there were widespread rumours that the West Germans had agreed to raise their key interest rates to help bolster the D-mark against tha US currency. Tha rumours were firmly denied by the Bundesbank, yet they were not inherently implausihle—at least not in a context in which the Japanese were hoosting thair rates.

Today tha boot is on the other foot. The D-mark, hovering at around DM 2.20 to the dollar, has gained more than 40 per cent against the US currency since the start of last year (much of that since the Group of Five meeting) and around 11 per cent since the start of this year alone. For the Germans, especially exporters, that is quite enough of an exchange rate correction.

German mooetary officials take seriously the warning of Mr Paul Volcker, chairman of the Federal Reserve Board, that the dollar could be close to a danger zone in which its largely-managed reduction so far could turn into a self-sustaining free fall. The implication is that if key US interest rates are to go down further, then other countries—in the first place West Germany—must move first. The Germans are certainly keen to see lower dollar rates, not just to help ward off economic downturn in the US, hut to ease the interest burden on the Third World dehtor states.

Happily for the Bundesbank, and Mr Karl Otto Poehl, its president, interest rate action which looks desirahle in the loternational context also fits generally well into the domestic West German economic picture.

True, the Germans can already expect markedly stronger economic growth this year — around 4 per cent in real terms after 2.5 per cent in 1985 thanks to stronger domestic demand and the benefits of the oil price cut. But with the jobless total remaining stuhbornly over an average 2m, the pressure is on to take every

Changes in West German discount and lombard rates have come to look more like confirmation of an existing trend rather than as heralds of a new one, Jonathan Carr writes

action which will encouraga still more growth without endangering price stability.

In the latter case almost all the recent news is good. The annual rate *of inflation* in February was down to the lowest figure for 18 years at 0.7 per cent after 1.3 per cent in January. Import prices are nearly 10 per cent lower on a year earlier. The federal government's policy of cutting borrowing may be a hit npset this year, partly because of lost revenua because of a DM 11bn tax reform package. But the diffarence will he marginal and already the government has met more than one quarter of its gross borrowing needs for the year without overstraining the capital market.

Two question-marks can be placed over this generally favourable picture. First, central bank money supply has been expanding well beyond the target range set for this year of between 3.5 per cent and 5.5 per cent. The Bundeshank does not normally become excited about temporary overshooting, and certainly et present there would be no reason for actnally tightening monetary policy. But some members of the central hank council may well argue that this would be a bad context in which to cut key rates — however encouraging the other news from the inflation front.

The second point, partly linked to this, is the so-called "shadow of 1978." Some bankers and monetary officials stress the striking paralells between Germany's situation now and eight years ago.

In both cases the D-Mark was strengthening, import prices and the inflation rate was falling, long-term bond yields plummeted—then under 7 per cent, now under 6 per ceot—and central bank money *stock was swelling rapidly*. From 1979 on, inflation rose sharply hy German standards, touching a peak of 6.3 per cent in 1981 with bond yields at 10.6 per cent, and the country plunged into current account deficit, partly because of a currency which had become overvalned.

One big difference between then and now is that Governmeot borrowing rose sharply before, partly because of the pledge to boost economic growth which Bonn made at the 1978 Western economic summit meeting. Today borrowing is hardly rising and Bonn has no plans to make a similar growth pledge at the forthcoming economic summit in Tokyo. Yet some officials still draw o hroader lesson from 1978—not to throw away hard-won price stobility gains hy premature relaxation, either in fiscal or monetary policy.

All that said, it is worth stressing that while shifts in the discount and lombard rates still have great psychological importance—not least for the foreign exchange markets—their practical implications have changed in the last year or two. The Bundesbank has come to rely ever more on *sophisticated*, open market operations to effect changes in money market rates—above all on its *Wertpapierpensionsgeschaefte*, under which it buys securities on condition that the selling banks repurchase them forward. *Changes in the discount* and lombard rates have come to look more like confirmations of an existing trend rather than as heralds of a new one.

Last year, for example, in the wake of the dollar's reverse in the spring, the Bundesbank encouraged cuts in domestic interest rates and yields through its repurchase accords. This phase ended in August when the central hank cut each of its key rates by 0.5 per cent, the discount to 4 per cent and the lombard to 5.5 per cent. The Group of Five strategy hlocked further German rate-cutting for a time, but the trend has since continued on down.

Mr Karl Otto Poehl — long working to prepare ground

On Monday, for example, the central bank announced a minimum interest rate of 4.3 per cent for its latest repurchase deal compared with 4.5 per cent before and 5.5 per cent this time last year.

If the central bank council announces a discount—and possibly a lombard — rate cut tomorrow it will attract attention at home and abroad. But the bank has long been working to prepare the ground.

General Motors in $2bn buyback

By William Hall in New York

GENERAL MOTORS, the world's largest vehicle group, is planning to spend almost $2bn on a share repurchase programme in which it will buy in almost 9 per cent of its own equity, writes our New York Staff.

The programme follows a spate of similar moves by large US corporations last year, when several cash-rich companies said they were repurchasing shares because their shares were selling too cheaply on the market.

Although the US stock market has risen sharply since many of these schemes were launched, GM's shares are languishing well below the heights achieved in the early part of last year. At the same time, GM is still carrying surplus cash in its balance sheet, with around $5bn of liquid resources at the end of last year.

The buyback will be spread disproportionately between the three different classes of GM common stock.

Nokia to offer unrestricted shares

By Olli Virtanen

NOKIA, THE Finnish diversified industrial group, is planning to launch an issue worth FM 65m ($13m) of unrestricted shares targeted at foreign investors.

The board will seek authority from this month's annual general meeting to raise the group's share capital ts FM 760m.

The proposed new issue is to comprise 350,000 ordinary shares with 10 votes apiece, and 300,000 preference shares with one vote.

About 5.6 per cent of Nokia's shares is estimated to be held by foreign investors, although unrestricted shares make up 13 per cent of its equity capital.

The company launched a share issue and obtained a listing on the Stockholm Stock Exchange in 1983.

Sweden joins 30-year trend

BY MAGGIE URRY

SWEDEN yesterday followed Quehec's example by lounching a 30-year Eurodollar bond issue and increasing its size to $250m thanks to a good response. Healthy sales into the Far East early in the day, and a strongly rising Eurohond market, encouraged Salomon Brothers, the lead manager, to raise the amount and the issue still traded well inside the 1½ per cent selling concession.

The terms were set at an 8½ per cent coupon and par issue price. Unlike Quebec's deal, which is non-callahle for life, this issue is callahle in the eleventh year at 105 and then at declining prices.

An issue by another sovereign name also had a good reception. New Zealand launched a $150m seven-year non-callable issue with an 8½ per cent and a 99¼ issue price. With fees of 1⅞ per cent, hte yield was around 55 basis points aboce US Treasury yields. The bonds, led bv Credit Suisse First Boston, traded around 98¾, well inside the fees.

US companies are now rare borrowers in the Eurobond market, aince they can borrow more cheaply in the US domestic market, but one appeared yesterday. HNG-InterNorth, the gas pipeline company, is raising $100m through a 10-year non-callable bond led by CSFB. The coupon of 9¼ per cent is high relative to most other new deals in the market, and reflects the company's lower credit rating.

Issue price is 100¼ and with fees of 2 per cent the yield was around 135 basis points above US Treasury yields. That high spread allows investors to swop the bonds for floating rata money paying well above London interbank offered rate. However, the issua was slow to sell and trading was not active.

The Eurooollar bond market saw price rises of ½ point to more yesterday but again lagged behind the New York bond market. Traders are hoping for interest rate cuts and lower oil prices, but many are now getting nervous following the strong gains of recent days.

An issue with equity warrants for Fujita, the Japanese civil engineering group, guaranteed by Mitsui Bank, proved popular. The $50m five-year boods have an indicated coupon of 4⅛ per cent and par issue price and the deal was led by Nomura International. It traded well abovs par at around 107½.

Nomura also led a Euroyen issue which has coupons paid in dollars. The Y20bn deal, for Banque Francaise du Commerce Exterieur, has a 10-year life and is priced at 101¾. The coupon will be at a rate of 7⅛ per cent with an exchange rate og Y179 to the dollar. The redemption amount will also be related to the yen/dollar exchange rate.

As long as the rate is Y84.5 or more to the dollar, redemption will be at par. If the dollar falls below that level then the redemption amount will decrease according to a formula.

DM 300m World Bank issue

THE WORLD BANK brought 30-year maturities into the D-mark fixed rate bond market yesterday with a DM 300m issue, forming half of a two-tranche, DM 600m issue. Deutsche Bank, the lead manager, also led the World Bank's 30-year Eurodollar issue and its 30-year D-mark zero coupon issue, Maggie Urry writes.

The 30-year tranche has a 6½ per cent coupon, par issue price and fees of 2 per cent. The other tranche is for ten years, carries a 5⅞ per cent coupon and is issued at 99½ with fees of 1⅞ per cent. Both tranches are non-callable and both met a good initial response, trading comfortably within their selling concessions.

Activity was high in the sector yesterday, buoyed by hopes of interest rate cuts when the Bundesbank council meets tomorrow. Traders were also encouraged by the strength of the New York bond market and the weaker dollar. Another new issue for DM 100m from PHS Van Ommeren, the Dutch shipping group, traded well too. It is the second deal in the sector. This eight-year issue, led by Commerzbank, has a 6⅛ per cent coupon and par issue price.

An issue with equity warrants from Kao, the Japanese soap company, is expected today with Westdeutsche Landesbank the lead manager. Issue size is likely to be DM 120m.

Prices in the secondary market gained ½ to ⅞ point in hectic trading yesterday.

Continental bond markets were generally firmer yesterday as traders saw the dollar weakening and interest rates coming down. Ecu bonds have recovered of late and Eurosterling issues also strengthened.

The Swiss franc foreign bond market had a new type of issue to contend with, a SFr 200m perpetual deal for Pepsico. This is the reverse of the usual dual-currency structure with the coupons paid in dollars, and has been dubbed a Foreign Interest Payment Security (FIPS).

The bonds, priced at par by Credit Suisse, has a 7⅛ per cent coupon. The coupon will be refixed every 10 years according to a formula based on US Treasury 10 year yields less 50 basis points. The exchange rate will remain the same at SFr 1.8690 to the dollar.

A normal dual-currency deal was launched by Union Bank of Switzerland for Anheuser-Busch, the US brewer. This is for SFr 187m and has an eight-year life with a 6 per cent coupon payable in Swiss francs. The redemption amount will be $3,100 per SFr 5,000 bond.

Coastal Corporation, the US oil and gas group, launched a SFr 150m public issue which is connected to a swap into dollars. Banque Paribas (Suisse) set the terms at a 10-year life, a 5⅞ per cent coupon and 99½ issue price.

Kinder-Care, the US private children's nursery company, is offering a new bond issue that can be exchanged for part of a deal done last year, now trading at a yield of around 8 per cent. The new issue, of SFr 50m to SFr 75m, has a 10-year life, a 6 per cent coupon and par issue price. Manufacturers Hanover (Suisse) led the deal.

The original issue was led by Chemical Bank and was for SFr 130m. It matures in 1995, has a 5⅞ per cent coupon and was priced at 99½.

Fujita launched an equity warrant deal in Swiss francs as well as one in dollars yesterday. The SFr 100m private placement is led by Credit Suisse. The yield is indicated at 2⅛ per cent and final terms will be set on March 11.

Trading was at a high level in the secondary market in Switzerland, too, and prices gained around ½ point.

Late in the day Copenhagen Handelsbank launched a Danish kroner deal raising DKr 350m. The 10-year issue, led by the bank itself, has an 8⅞ per cent coupon and 100 issue price. Fees total 2 per cent.

FFr new issue activity slows ahead of elections

BY CLARE PEARSON

NEW ISSUE activity in the French franc Eurobond market is to slow down slightly ahead of the parliamentary elections scheduled for March 17. Only two issues, totalling FFr 1bn, have been approved for March, compared with three, totalling FFr 1.2bn, in February.

The first, which should be launched later this week, will be for Rhone Poulenc, the state-owned chemicals group. It will be lead-managed by Credit Commercial de France. The second will be for Swedish Export Credit. Each will total around FFr 500m.

French bankers say that the lower volume reflects expectations of increasing nervousness in the market about a devaluation of the French franc as the elections loom.

Such nervousness has not, however, so far affected the Eurofranc market which, along with the domestic market, has been exceptionally strong over the past few weeks. The last of February's issues, for Nersa, the European nuclear agency, for example, is currently hid at 100¾, ¾ per cent above its issue price.

National Starch buys plant from Unilever unit

NATIONAL STARCH and Chemical, a US subsidiary of Unilever, the Anglo-Dutch consumer group, is to buy a corn milling plant in Hamburg, West Germany, from Maizena, a German subsidiary of CPC International, the US food processor, Tony Jackson writes.

The Hamburg plant makes maize-based starches for food manufacture, with an annual output of 85,000 tonnes. National Starch said it would invest in increasing the plant's range of products, to include starches for the paper and textile industries. Total acquisition and investment costs would be DM 60m ($27m).

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on March 4

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex 10⅛ 92	100	106½	[illegible]	+0⅛	+1⅛	9.06
Amex Credit 10½ 90	100	107¼	108	+0⅛	+1⅛	8.59
Atlan. Richfield 10⅜ 95	200	109	109½	+0⅛	+1⅛	8.63
Australia Com. 11 95	200	114⅝	115⅛	+0⅛	+2	8.57
Australia Com. 11⅛ 90	200	117	117⅛	+0⅛	+3⅛	8.94
Average price changes...						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

This document includes particulars given in compliance with the regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to Charterhouse Currency Funds Limited (the "Fund"). The Directors of the Fund whose names appear below are the persons responsible for the information contained in this document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the Participating Redeemable Convertible Preference Shares of each class specified below to be admitted to the Official List.

Copies of this Prospectus and the documents specified herein have been delivered to the Registrar of Companies in England and Wales for registration.

CHARTERHOUSE CURRENCY FUNDS LIMITED

A company registered with limited liability in Jersey on 31st January 1986 under the provisions of the Companies (Jersey) Laws 1861 to 1968 and having an authorised share capital of US$500,100.

Initial Offer for subscription of up to 50,000,000 Participating Redeemable Convertible Preference Shares of US 1 cent each ("Participating Shares") of the following classes and at the following prices payable in full on application:-

Class of Participating Share	Price per Share	Class of Participating Share	Price per Share
Sterling	£10	French Francs	FFr 100
US Dollars	US$15	Japanese Yen	Yen 3,000
Deutschemarks	DM 40	European Currency Units (ECUs)	
Swiss Francs	SFr 30	*at a price equivalent to*	ECU 20

Principal Features

Structure

Charterhouse Currency Funds Limited is an open-ended investment company registered in Jersey and will be managed on a day-to-day basis in Jersey by Charterhouse Japhet Currency Management Limited (the "Manager").

Objectives

The objectives of the Fund will be to enable investors to deploy liquid funds in the currency of their choice in a manner that will combine:-

- A high degree of capital protection
- Ready availability of funds through rapid redemption
- Ability to convert from one currency to another with the minimum of delay and expense
- Interest advantages of dealing in large amounts
- Advantages of professional cash management

Share Classes and Currency Funds

Investors may subscribe for Participating Shares designated in the following currency classes:-

Sterling	Japanese Yen
United States Dollars	Deutschemarks
Swiss Francs	French Francs
European Currency Units	
(ECUs are explained in Appendix B)	

Each class of Share will be linked to a fund of assets known as a "Currency Fund". Each Currency Fund will be denominated in the currency of the corresponding Participating Shares. Investment in the Participating Shares will enable investors to keep their cash reserves in the currency of their choice.

Participating Shares will be in inscribed form, their ownership being recorded simply by entry in the share register. Each investor will be allocated a Personal Security Number which must be quoted in all communications.

Dealings

Dealings will take place every day (except Saturdays) on which Banks in Jersey are open for business. The Manager will value Participating Shares and arrange for their issue, conversion and redemption on each of those days. Further details including particulars of effective dates of transactions and settlement dates, appear under Organisation.

Speed of Dealing

Investors will be able to redeem or convert their Participating Shares without delay merely by a telex message or a telephone call to the Manager. The Settlement Day will normally be the second working day after the Dealing Day on which a redemption or conversion is effected.

Prices

Participating Shares will be allotted and redeemed at prices calculated by reference to the value of the net assets of the relative Currency Fund. Normally there will be a single price for issues and redemptions of Participating Shares.

Dividends

It is intended that at least 85 per cent of the net income of the Fund, after deduction of expenses, attributable to each class of Participating Shares, will be paid out.

Manager and Investment Adviser

The Fund will be managed by Charterhouse Japhet Currency Management Limited and investment advice will be provided by Charterhouse Japhet (Jersey) Limited.

Fees

Fees will be levied in relation to the net asset value of the relevant Currency Fund. No initial charge will be levied in respect of the classes of Participating Shares offered under this Prospectus.

Management fee:	Sterling class - 0.50 per cent. per annum. Other classes - 0.75 per cent. per annum.
Custodian's fee:	At the annual rate of 0.10 per cent. on the first £10 million (or equivalent), in each currency class, 0.01 per cent. thereafter.
Investment Adviser's fee:	0.10 per cent. per annum.
Secretary and Registrar's fee:	£1 per registered shareholding of any class per month.

Full details of Fees are set out under Fees and Expenses.

Taxation

It is the intention of the Directors that the Fund shall incur no tax on its income and shall qualify for certification for "distributor" status under the Finance Act 1984 of the United Kingdom. Further details are set out under Tax Considerations.

The above summary should be read in conjunction with the remainder of this document.

No person receiving a copy of this Prospectus and/or an application form in any territory other than the United Kingdom may treat the same as constituting an invitation to him nor should he in any event use such form unless in the relevant territory such an invitation could lawfully be made to him or such form could lawfully be used without compliance with any registration or other legal requirements. Any person outside the United Kingdom wishing to make an application hereunder should satisfy himself as to the observance of the laws of any relevant territory including obtaining any requisite governmental or other consents or observing any other requisite formalities.

Participating Shares of the Fund are offered on the basis of the information and representations contained in this Prospectus and any further information given or representations made by any dealer, salesman or other person must be regarded as unauthorised.

The consents of the United Kingdom Treasury and of the Finance and Economics Committee of the States of Jersey for the issue of the Participating Shares in the Fund have been obtained in compliance with the order made under Section 1 of the Borrowing (Control and Guarantees) Act 1946 of Great Britain and the Control of Borrowing (Jersey) Order 1958 (as amended) respectively. It must be distinctly understood that in giving these consents neither the Treasury nor the Finance and Economics Committee take any responsibility for the financial soundness of any schemes or for the correctness of any statements made or opinions expressed with regard to them.

The Participating Shares of the Fund have not been and will not be registered under the United States Securities Act of 1933 and the Fund has not been and will not be registered under the United States Investment Company Act of 1940. Accordingly, the Participating Shares may not be offered or sold directly or indirectly in the United States (which term includes its territories, possessions and all areas subject to its jurisdiction) or to nationals or residents thereof (including the estate of any such person and any corporation, partnership or other entity created or organised under the laws of the United States or any political subdivision thereof) except pursuant to an exemption from tha registration requiremants of the United States Securities Act of 1933.

This Prospectus does not constitute an offer of Participating Shares for subscription after 14th March, 1986.

Administration

Directors

Lawrence de Villamil Wragg, *(Chairman), Director,* Charterhouse Japhet plc, 1 Paternoster Row, St. Pauls, London EC4M 7DH.

Armand Azoulai, (French), *General Manager,* Charterhouse Japhet (Suisse) S.A., 40 Rue du Rhône, 1211 Geneva 11, Switzerland.

Clive Aubrey Charles Chaplin, *Solicitor of the Royal Court, Jersey and of the Supreme Court, England and Wales, Partner,* Michael Voisin & Co., Templar House, Don Road, St. Helier, Jersey.

John Charles McGuire, *Manager,* The Royal Bank of Scotland A.G., Talstrasse 82, Zurich, Switzerland.

John Stanley Wetherall, *Managing Director & Chief Executive,* Charterhouse Japhet (Jersey) Limited, 22 Hill Street, St. Helier, Jersey.

Registered Office

Charterhouse Building, Bath Street, St. Helier, Jersey.

Secretary, Registrar and Manager

Charterhouse Japhet Currency Management Limited, P.O. Box 189, St. Helier, Jersey. Telephone Jersey (0534) 74689. Telex United Kingdom 4192258 (CJCM JY). Telefax Jersey (0534) 79040.

Directors of the Manager

J.S. Wetherall, *(Chairman),* C.A.C. Chaplin, H.B. Coppard, M.G. Jordan (Mrs), A. Padidar, C.A.S. Wilson (Mrs), L. de V. Wragg.

Auditors

Arthur Young, Chartered Accountants, Ordnance House, 31 Pier Road, St. Helier, Jersey.

Custodian

National Westminster Jersey Trust Company Limited, P.O. Box 6, 23-25 Broad Street, St. Helier, Jersey.

Investment Adviser

Charterhouse Japhet (Jersey) Limited, 22 Hill Street, St. Helier, Jersey.

Stockbrokers

Capel-Cure Myers, 65 Holborn Viaduct, London EC1A 2EU.

Legal Advisers

In Jersey

Michael Voisin & Co., Templar House, Don Road, St. Helier, Jersey.

In England

Linklaters & Paines, Barrington House, 59-67 Gresham Street, London EC2V 7JA.

Principal Banker to the Fund

Charterhouse Japhet (Jersey) Limited, 22 Hill Street, St. Helier, Jersey.

Investment Policy

Objective

It is the intention of the Directors to obtain for each Currency Fund as high a rate of return as is consistent with a prudent investment policy directed to the preservation of principal and maintenance of liquidity. The investment policy described in this Prospectus will be adhered to for at least three years following the listing of the Participating Shares.

Method

It is intended that funds will be placed, for the most part, in the euro currency markets. Domestic money markets may also be used if there are yield advantages from doing so.

The assets of each Currency Fund will consist of bank deposits and other short-term negotiable money market securities denominated in the appropriate currency. However investments payable in other currencies may be acquired provided that a forward currency sale of the principal amount of the investment plus the expected income to maturity is effected in order to eliminate the currency risk.

Funds will be deposited with banks (including members of The Royal Bank of Scotland Group of which the Manager is a member) either at short notice or for fixed terms not exceeding twelve months. Certificates of Deposit ("CDs"), notes and bank bills may also be acquired with maturities not later than twelve months after their date of acquisition. These investments may be acquired directly or through the secondary markets. Funds will only be placed with major banks considered first class by the Directors and the Manager. Such funds may be placed either as deposits, or used to purchase notes and bills issued or accepted by such banks. The Directors have established investment restrictions which are designed to secure an adequate spread of investments and to ensure that the institutions with which funds are placed or in which investments have been made are of a high credit standing. The Manager and its associates are permitted to dispose of investments to and to acquire investments from the Fund and to act as an intermediary in such acquisitions and disposals on the terms set out therein. Further details appear in Appendix B.

The Directors will aim to make deposits or acquire CDs, notes or bank bills from which the income is receivable free of any form of withholding tax. It will be the general policy of the Directors to hold the Fund's investments to maturity, except in cases where the Manager shall consider it advisable to realise securities earlier, either on investment grounds or to maintain an appropriate level of liquidity.

Liquidity

It is intended that at least 20 per cent. of the value of the assets in each Currency Fund will be available at call or on two days' notice. If that percentage is reduced, for example as the result of redemption or conversion of Participating Shares, it will be restored as soon as circumstances permit.

Borrowing

The Fund has the power to borrow, but the Directors intend that it should do so only in order to meet redemptions and not to finance any new investments. The Fund's total borrowings may not exceed in aggregate one quarter of Share Capital and Consolidated Reserves (as defined in the Articles of Association) for the time being of the Fund and, in respect of any particular Currency Fund may not exceed nine-fortieths of the net assets of that Fund.

Dividend Policy

It is intended that at least 85 per cent. of the net income in aach class of Participating Share will be paid as a dividend on the last business day in June and December in each year and that, in any event, an appropriate level of distributions will be made in order to meet the requirements for "distributor" status undar the Finance Act 1984 of the United Kingdom. Subject to the requirements of the Finance Act 1984, dividends will only be paid to the extent that they are covered by income received from underlying investments.

The first dividend will be paid on 30th June, 1986. Investors may elect on the application form to have dividends due to them re-invested in further Participating Shares.

To comply with the requirements of The Japanese Ministry of Finance, dividends payable to holders of Japanese Yen Class Participating Shares will not be payable in Yen. Investors may request payment in any other major freely convertible Currency. In the absence of prior instructions to the contrary, payment will be made in Sterling.

Organisation

Form of Participating Shares

Participating Shares will be in inscribed form, their ownership being recorded simply by entry in the share register. No share certificates will be issued. A Personal Security Number, which must be quoted in all communications, will be allocated to each investor and will appear on the contract note confirming his investments, conversions and redemptions.

Investors are required to specify a bank account to which the proceeds of redemption will be paid, the relevant instructions ("Standing Redemption Payment Instructions") being given to the Manager at the time when Participating Shares are acquired. Any subsequent alteration of such instructions must be in writing, with the signature of the investor certified by a bank or a member firm of a major stock exchange ("Certified Signature").

Investors may transfer Participating Shares to another party by giving written instructions, signed with their Certified Signature, to the Manager. All transferees will, in any event, be required to give the Manager their Standing Redemption Payment Instructions in writing.

Fractional Entitlements

Fractions of Participating Shares to three decimal places will be allotted and recorded in the register. *Such fractional Participating Shares will have the same rights as whole Participating Shares save that* they will have no voting rights.

Speed of Dealing

The inscribed form of Participating Shares, combined with the Standing Redemption Payment Instructions, will enable the Manager to act without delay upon instructions received by telex or telephone to redeem or convert *Participating Shares.*

Custodian

National Westminster Jersey Trust Company Limited (the "Custodian"), a company incorporated and resident in Jersey and a wholly-owned subsidiary of National Westminster Bank PLC, has been appointed as Custodian of the assets of the Fund, which will be held by the Custodian or to the Custodian's order.

Particulars of the fees payable to the Custodian and further details of the Custodian Agreement are set out under Principal Features and in Appendix B respectively.

Manager

Charterhouse Japhet Currency Management Limited (the "Manager") has been appointed as Manager of the Fund and will be responsible to the Directors for the Fund's day-to-day management and administration and for the implementation of investment policy in accordance with the instructions of the Directors. The Manager has acted as Manager to Central Assets Currency Funds Limited since its inception in 1975.

The Manager is a subsidiary of Charterhouse Japhet (Jersey) Limited, itself a subsidiary of Charterhouse Japhet plc. The latter's ultimate holding company is The Royal Bank of Scotland Group plc. Both the Manager and Charterhouse Japher (Jarsey) Limited are incorporated and resident in Jersey. The Royal Bank of Scotland Group plc and Chartarhouse Japhet plc are incorporated and resident in Great Britain.

Particulars of the Fees payable to the Manager and further details of the Management Agreement are set out under Principal Features and in Appendix B respectively.

Investment Adviser

Charterhouse Japhet (Jersey) Limited has been appointed as Investment Adviser to the Fund and will provide continuing advice on the deployment of the assets of the Fund. Such advice will include, inter alia, recommendations in respect of each Currency Fund regarding the general balance of the portfolio, the types of investment to be acquired, the length of time to their maturity and the credit ratings of banks with whom investmants are to be made.

Particulars of the fees payable to the Investmant Adviser and further details of the Investment Advisory Agreement are set out under Principal Faatures and in Appendix B respectively.

Dealing Arrangements

Initial Offer

The subscription lists in respect of the initial offer for subscription will open at 10.00 a.m. in Jersey on 14th March, 1986 and will closa at 4.00 p.m. in Jersey on that day. Settlement will be due on or before 14th March, 1986 and, provided that settlement has been effected, initial allotments of Participating Shares will be made on that day. It is expected that dealings on The Stock Exchange will commence on 17th March, 1986.

Dealing Days

After the Initial offer the prices at which Participating Shares of each class will be allotted and redeemed will be calculated on each Dealing Day.

A *Dealing Day of the Fund is each day (except Saturdays) on which Banks in Jersey* are open for business, the first Dealing Day being 17th March, 1986. On each such day the Manager will determine the prices of Participating Shares of each currency class, being their net asset value based on the projected net asset value of the related Currency Fund two or three business days thereafter and, if so requested in the prescribed manner, will arrange for the issue, conversion or redemption of Participating Shares.

Settlement Days

To conform with the accepted practice in the foraign exchange and eurocurrency markets, the Settlement Day for redemptions and conversions of Participating Shares will be the second business day after the Dealing Day on which the relevant instructions are received by the Manager, or if that should not be a business day in a place in which any related payment is to be made, the next following day which is a business day in such place. Subject to receipt of a valid application, the Settlement Day for issues of Participating Shares will be the day on which payment is received and is available for investment in the relevant Currency Fund. Conversions and redemptions will take effect on the relative Settlement Day.

Valuation Method

Full particulars of the method of valuation are set out in the Articles of Association, copies of which are obtainable from the Manager, and further details appear in Appendix A.

Prices for each class of Participating Shares will appear daily in the "Offshore and Overseas" section of the Financial Times.

Suspension of Valuations

The valuation of any class of Participating Shares may be suspended by the Manager during a period when dealing in a relevant market is restricted or when other circumstances exist which in the opinion of the Manager make it impracticable to dispose of or value fairly any of the assets of the related Currency Fund. No Participating Shares of the class affected will be issued, converted or redeemed while their valuation is suspended. Redemption or conversion requests may be withdrawn during a period of suspension and, if not withdrawn, will be dealt with on the Dealing Day following the end of the suspension. The Directors of the Fund will use their best endeavours to cause notice of such suspension to be placed in the Financial Times, London, and such other newspapers as they shall determine.

Procedure for Application, Redemption and Conversion

Application

The Manager will issue Participating Shares, in response to applications received pursuant to the Initial offer and thereafter on any Dealing Day. Applications should be made either by telex or on the Application Form provided. Payment (see below) can be made by telex transfer, cheque or banker's draft. The Manager may accept or reject applications in whole or in part, in which case application monies, or any balance thereof, will be returned to applicants by post at their risk.

The minimum initial investment for each currency class will be £1,000, or the foreign currency equivalent thereof.

Method of Applying

Applications may be made either by using the Application Form at the end of this Prospectus or by a telex message. Telex applications should be worded as follows and include all the information *mentioned in parentheses:-*

To: Charterhouse Japhet Currency Management Limited

Telex No: (UK) 4192258 (CJCM JY)

I/We hereby apply to invest *(amount and currency)*

in participating shares of the *(share currency)* class in

Charterhouse Currency Funds *Limited subject* to *the terms* of the *Prospectus* dated 5th *March,* 1986 and the Memorandum and Articles of Association.

I/We have instructed my/our Bank to telex that sum to *(name of Correspondent Bank).*

for account of Charterhouse Japhet (Jersey) Limited sub-account CJCM/CCF on *(date of transfer).*

Please register the Participating Shares in my/our name(s). I/We hereby instruct you to pay the proceeds of redemption of any Participating Shares of any class now or hereafter registered in *my/our name(s)* only to *(Name* and *address* of *your bank,* and *your account number).*

I/We hereby declare that for taxation purposes I am/we are not resident in the Island of Jersey, and I am/we are not acquiring the Participating Shares as the nominee of any person resident in Jersey.

(If you are unable to make the above residential declaration, please omit it.)

I/We further hereby declare that the Participating Shares are not being acquired directly or indirectly by a US Person as defined in the Prospectus save in a transaction which does not contravene United States Securities Laws nor in violation of any applicable law.

From: *(Your name(s))*

(Your address)

(Your telephone number*)*

(Your telex number)

Note: the contract note in respect of this transaction will be sent to the address above.

(A) Payment of Dividends

I/We hereby authorise and request you to remit all dividends together with all income distributions which may from time to time become payable to me/us as follows:-

(1) Pay in accordance with my/our Standing Redemption Payment Instructions (shown above); or

(2) Pay by cheque/banker's draft to the first named registered holder

Please arrange for dividends arising on my Yen class shares to be paid in accordance with either 1 or 2 *(delete whichever number is not appropriate)* in ____________________

(state currency in which payment is required)

Yen class shareholders should refer to Dividend Policy if in doubt. or

(B) Reinvestment of Dividends

I/We hereby authorise you to make arrangements to reinvest all dividends arising on my/our holding of Participating Shares into further Participating Shares, in the same currency class as such dividends are payable. (Include either (A) or (B) as applicable)

Payment and Basis of Allotment

Participating Shares of any Currency class will be allotted to applicants on the relevant Settlement Day by reference to projected net asset values (see Appendix A). Payments can be made in any major freely-convertible currency. In order to comply with the requirements of the Ministry of Finance in Japan, subscription and redemption moneys relating to the Japanese Yen class of Participating Shares cannot be paid in Yen but must be paid in some other major freely-convertible currency. The choice of currency is at the discretion of the investor.

Where payment is made in the currency of the class of Participating Shares applied for, the relevant Settlement Day will be the day on which the payment is received by the appropriate Correspondent Bank or, if payment is by cheque or banker's draft, the day on which such cheque/draft is cleared.

Where payment is made in a currency other than that of the class of Participating Shares applied for, the relevant Settlement Day will be the value date for the foreign exchange transaction necessary to convert the payment received to the currency required. Such value date will normally be two business days after the day on which the Manager receives advice either (a) from a Correspondent Bank that the payment has been received, or (b) that the relevant cheque/draft has been cleared. *Such foreign exchange transactions will be effected at the risk and expense of applicants.*

Telex Transfers

Payment by telex transfer must be to the appropriate Correspondent Bank for the currency concerned, as shown in the Application Form at the end of this Prospectus. The accompanying telex message from the applicant's bank to the Correspondent Bank concerned must state the applicant's name and make reference to Charterhouse Currency Funds Limited.

Cheques and Banker's Drafts

Payment accompanying an application made on the printed Application Form may also be by cheque or banker's draft sent and made payable to Charterhouse Japhet Currency Management Limited.

Cheques may only be drawn in Sterling and must be drawn on a bank in the United Kingdom. However, banker's drafts may be drawn in any major freely-convertible currency.

The proceeds of cleared cheques and drafts, converted as may be necessary to the currency of the Participating Shares applied for, will form the basis of the allotment of Participating Shares as set out above.

CHARTERHOUSE CURRENCY FUNDS LIMITED

Use of Nominees

An applicant wishing his Participating Shares to be registered in the name of a bank or other nominee must arrange for such nominee to apply and to give the appropriate Standing Redemption Payment Instructions on his behalf.

Conversion

Investors may convert all or part of their holding of Participating Shares of one Currency class into Participating Shares of another Currency class on any Dealing Day by so instructing the Manager. The right to convert will be dependent on the Fund having sufficient available authorised but unissued share capital to implement the conversion.

Conversion instructions may be given to the Manager by telex, telephone or letter, quoting the relevant Personal Security Number. **If the instructions are received at or before mid-day in Jersey** on a Dealing Day, the conversion ratio will be based upon: (a) the exchange rate between the relevant currencies as at or about mid-day on that day, and (b) the Participating Share prices applicable to *the relevant* Settlement Day, determined as set out under "Valuation Method". **Where instructions are received after mid-day in Jersey** they will be treated as having been received before mid-day on the next Dealing Day.

No charges will be levied by the Fund or the Manager on conversions.

A telex message to the Manager giving instructions to convert Participating Shares should be worded as follows:-

Telex No: (UK) 4192258 (CICMIY)

I/We *(Your name(s))*

Personal Security Number *(insert your Personal Security Number)* wish to convert *(number to 3 decimal places)* Participating Shares of the *(existing share currency)* class to Participating Shares of the *(new share currency)* class in Charterhouse Currency Funds Limited.

On the Settlement Day the value of the converted Participating Shares will be transferred from one Currency Fund to the other.

Redemption

Instructions to redeem any amount of Participating Shares of any Currency class will be accepted by the Manager on any Dealing Day. Instructions may be given by telex, telephone or letter. In each case quoting the relevant Personal Security Number, and must specify the currency in which redemption proceeds are to be paid. Redemption proceeds of Participating Shares of the Japanese Yen class cannot be paid in Japanese Yen.

The Fund is not bound to redeem on any Dealing Day more than one fifth of the number of Participating Shares of any Currency class then in issue. In these circumstances the number redeemed may be scaled down to ensure that the foregoing limit is not exceeded and the balance thereof shall be carried forward for redemption to the next Dealing Day and so on until such redemption is complete.

If the instructions are received

(a) **at or before mid-day in Jersey**, the Share price and the Settlement Day will be those applicable to that Dealing Day; or

(b) **after mid-day in Jersey**, the Share price and the Settlement Day will be those applicable to the next following Dealing Day.

A telex message to the Manager giving instructions to redeem Participating Shares should be worded as follows:-

Telex No: (UK) 4192258 (CICMIY)

I/We *(Your name(s))*

Personal Security Number *(insert your Personal Security Number)* wish to redeem *(number to 3 decimal places)* Participating Shares of the *(share currency)* class in Charterhouse Currency Funds Limited, for payment in *(payment currency required)*

In the absence of an indication given by the applicant when requesting redemption or conversion of part of a holding of Participating Shares acquired at different points in time, for the purposes of determining the amount of accrued income and entitlement to equalisation payments on redemption or conversion of Participating Shares, the Manager will assume that the first Participating Shares acquired are the first to be sold, or converted as the case may be.

Payment of Redemption Proceeds

Proceeds from Participating Share redemptions will be paid on the appropriate Settlement Day to the bank and for the account designated by the investor in his Standing Redemption Payment Instructions.

Redemption proceeds may be paid at the investor's request in any major freely-convertible currency and currency conversions will be effected at the risk and expense of the Investor.

Unless the Investor previously requests otherwise (in a request supported by a Certified Signature):

(a) Redemption proceeds will, whenever possible, automatically be paid by telex transfer in accordance with the Standing Redemption Payment Instructions. The charges for the telex transfer will be deducted from the redemption proceeds.

Use of telex transfer means that cleared funds will normally be transferred to the Investor's bank account specified in the Standing Redemption Payment Instructions on the Settlement Day itself.

(b) In the case of Sterling amounts, redemption proceeds of less than £10,000 will be paid by a bank giro or mail transfer or draft in accordance with the Standing Redemption Payment Instructions. There will be no charges payable for such payments, and at least three business days should be allowed after the Settlement Date for cleared funds to be credited to the Investor's bank account.

(c) If banking procedures for the currency concerned at the relevant time do not permit payment by telex transfer, payment will be made by mail transfer or draft.

If an Investor has omitted to provide Standing Redemption Payment Instructions, redemption instructions will not be processed until the Manager receives a written redemption request with a Certified Signature.

Speed of Dealing

In view of the importance of speed, investors are strongly recommended to make both application and payment for Participating Shares by telex. For the same reason, instructions to redeem or convert Participating Shares should be given by telex or telephone: this, in conjunction with the use of an inscribed form of share (see under Organisation), will enable investors to withdraw their funds when they may be needed for another purpose, or to move from one currency to another within the structure of the Fund with the minimum of delay.

Contract Notes

(a) Issues - Since the appropriate "answerback" is prima facie evidence that a telex message has been sent and received, the Manager will not otherwise acknowledge receipt of a telexed application for Participating Shares. A written application received through the post will be acknowledged, if requested. Subject to the receipt of an application in valid form the Manager will send a contract note on the day on which it is notified of the receipt of payment by the appropriate Correspondent Bank, or as soon as practicable thereafter.

(b) Redemptions and Conversions - Contract Notes in respect of redemptions and conversions will be sent on the day on which the instructions are received and acted upon, or as soon as practicable thereafter.

General

Further authentication and documentation may be required from investors who are companies, trustees or institutions.

Neither the Fund, the Manager, the Custodian nor any Correspondent Bank can be held liable for any delay in issuing Participating Shares, in settlement for redemptions or in effecting conversions, which result from any breakdown of the means of communication affecting the relevant transaction, from a suspension (in accordance with the Articles of Association) of the determination of net asset value or by reason of any error committed in good faith.

Tax Considerations

The Fund

The Fund will not be resident in Jersey for taxation purposes and therefore will not be liable to tax in Jersey on its non-Jersey source income. By concession it will not be charged to tax in Jersey on deposit interest arising in Jersey. The Fund expects to pay only Corporation Tax in Jersey, currently levied at a flat rate of £300 per annum.

Incorporation and Stamp Duty fees in Jersey on incorporation of the Fund amounted to approximately £1,800. An annual filing fee is payable each year by the Fund in Jersey at a rate, currently, of £100. There are no exchange control regulations in force in Jersey as at the date of this Prospectus.

It is the intention of the Directors that the control and management of the Fund will be exercised, so far as practicable, in such a way that the Fund will not be resident in the United Kingdom and that it will avoid taxation in any country, including those countries in whose currencies the different classes of Participating Shares are designated.

Investors

It is anticipated that investors in the Fund will be resident for tax purposes in a variety of jurisdictions. Consequently, apart from the information set out below in relation to United Kingdom and Jersey Investors, this Prospectus does not consider the taxation position of investors.

All investors should consult their own professional advisers on the taxation and exchange control implications of their acquiring, holding, selling, converting or redeeming Participating Shares under the laws of the jurisdiction to which they are subject.

The following information relates only to United Kingdom and Jersey taxation and summarises the position at the date of this prospectus.

Clearance has been obtained from the Board of Inland Revenue under section 464 of the Income and Corporation Taxes Act 1970 (the "Act") that the provisions of section 460 of the Act (cancellation of tax advantages from certain transactions in securities) will not apply to the issue, transfer or redemption of Participating Shares or the conversion of Participating Shares of any currency class into Participating Shares of another currency class (other than transfers to companies in which the transferor has a substantial interest).

Dividends received by United Kingdom taxpayers will, dependant on personal circumstances, be subject to tax as income. Where Participating Shares are acquired other than at the beginning of an accounting period the first distribution will benefit from the inclusion of a refund of capital not subject to tax as income referred to as an "equalisation" payment. The amount of the equalisation payment must be deducted from the original purchase cost of Participating Shares in computing the allowable cost for capital gains purposes. A relatively small portion of the proceeds of a disposal representing the element of income applicable to the Participating Shares which has accrued since the last distribution date, or since acquisition if later, will be taxed as income. This is the corollary to the tax relief noted above available to United Kingdom investors on receipt of the first distribution on Participating Shares. Similarly, on conversion of Participating Shares from one currency class to another, which should not constitute disposal of the Participating Shares converted for the purposes of United Kingdom taxation of capital gains, the amount of undistributed income of the period in which the conversion takes place applicable to the value of the Participating Shares previously held will be liable to tax as income and will reduce the capital gain on the ultimate disposal of the investment notwithstanding that no monetary payment will be received.

The Finance Act 1984 of the United Kingdom contains provisions by which United Kingdom taxpayers holding interests in certain offshore funds may be charged to tax on gains arising from the disposals of those interests at rates applicable to income. These provisions will not apply to the major part of such gains where a fund qualifies for "distributor" status which involves adequate distribution of its income for each accounting period and places limitations on its holdings of investments. Since the Fund proposes to distribute at least 85 per cent of its income and will endeavour to meet with the other requirements for "distributor" status, the Directors anticipate that, except as mentioned below, gains on disposals of Participating Shares, including currency gains, will constitute capital gains and not income unless the investor is a dealer in securities.

However, although the Directors will take all steps that are practicable to ensure that "distributor" status is obtained it must be appreciated that this cannot be guaranteed and that the exact conditions which must be fulfilled and what may be regarded as income of the Company for UK tax purposes may be affected by Inland Revenue practice or by subsequent changes to the legislation itself.

The Manager will provide the necessary information on the income element and currency rates to be used by United Kingdom investors for the purposes of computing United Kingdom tax liability on disposal or conversion.

The Finance Act 1984 contains further provisions which may subject certain United Kingdom resident companies to corporation tax on the profits of companies not so resident ("controlled foreign companies") in which they have an interest of at least 10 per cent. It is proposed that the Fund shall distribute at least 85 per cent. of its income, and it is considered unlikely that this legislation would materially affect any United Kingdom resident company even if it held 10 per cent. of the Fund's share capital and the Fund was controlled in the United Kingdom.

The attention of individuals ordinarily resident in the United Kingdom is drawn to section 478 of the Act and to section 45 of the Finance Act 1981 which may render them liable to taxation in respect of the undistributed income and profits of the Fund.

Jersey Income Tax will not be deducted from any dividends or other distributions paid to investors who are not resident in Jersey for the purposes of Jersey Income Tax. Investors who are resident in Jersey for the purposes of Jersey Income Tax will receive dividends after deduction of Jersey Income Tax (currently at the rate of 20 per cent.). The Manager has undertaken to the Comptroller of Income Tax in Jersey to account for the tax so deducted.

As is the case with any investment, no assurance can be given that the tax position prevailing at the time an investment in the Fund is made will remain as stated above.

Fees and Expenses

Fees Payable

(a) The Manager - The agreement between the Fund and the Manager provides for the Manager to receive from the Fund, for its services as Manager, a fee at an annual rate not exceeding 1 per cent. of the net asset value of each Currency Fund. The Manager has agreed, for the time being, to restrict its fee to 0.50 per cent. per annum of the net asset value of the Sterling Currency Fund, and to 0.75 per cent. per annum of the net asset value of the other Currency Funds. The Manager may exercise its right to increase that percentage up to 1 per cent. by giving not less than thirty days' notice to the Fund of its intention to do so. Investors will be advised by the Fund as soon as practicable after any such notice has been received. For its services as Secretary and Registrar, the Manager is entitled to receive a fee from the Fund of £1 per shareholding in each Currency Fund per month, calculated on the number of shareholdings on the register on the last Dealing Day of each month.

The Manager may, at its discretion, pay commission out of its management fee to agents.

Although entitled to do so under the Articles, the Manager does not propose at present to make any initial charge in relation to issues or conversions of Participating Shares. In the event of an initial charge being introduced at any time in the future, investors will be given not less than thirty days' notice of its introduction.

(b) The Custodian - The agreement between the Fund and the Custodian provides for the latter to receive from the Fund a fee at the annual rate of 0.10 per cent. of the net asset value of each Currency Fund on the first £10 million (or its equivalent) and 0.01 per cent. per annum thereafter. If the aggregate amount payable by the Fund in any financial year of the Fund is less than £12,500 (pro rata for any period longer or shorter than three hundred and sixty five days) the Manager will pay any shortfall. These fees are to be reviewed on 1st April 1987 and every second year thereafter such reviews to be effective from 1st July in that year.

(c) The Investment Adviser - The agreement between the Fund and the Investment Adviser provides for the latter to receive from the Fund a fee at an annual rate of 0.10 per cent. of the net asset value of each Currency Fund.

(d) General - The fees of the Manager, the Custodian and the Investment Adviser accrue on a daily basis and are payable quarterly in arrears.

Listing and Organisation Expenses

The preliminary expenses of the Fund, the expenses of the Initial Issue (including the application to The Stock Exchange for listing) and general advertising in the three months following the close of this offer, are estimated to amount in total to approximately £260,000. These fees are payable by the Fund and will be capitalised and amortised over the five financial years of the Fund beginning on 1st July, 1986 or such longer period as shall reduce the annual charge to an amount which will enable the Fund to make the requisite distributions to obtain certification under the Finance Act 1984.

General Expenses

In addition to the charges mentioned above, the Fund will bear its own administrative costs including the fees of the Directors and Auditors, legal and accountancy fees, and all other operating costs, such expenses together with the amortisation of listing and preliminary expenses being apportioned between the Currency Funds in the manner described herein.

General

Stock Exchange Dealings

Participating Shares of each currency class may be bought or sold on The Stock Exchange, London, subject to prevailing rates of brokerage commission, UK Stamp Duty and relevant levies.

Reports and Audited Accounts

The Fund's financial year ends on 30th June. Annual audited accounts of the Fund, together with audited revenue accounts and balance sheet of each Currency Fund, will be prepared and posted by 15th September in each year or as soon as practicable thereafter to all investors at their registered address. Half-yearly audited accounts of the Fund and audited revenue accounts and balance sheets of each Currency Fund to 31st December will be prepared on the same basis as the annual accounts and will normally be posted in February of each year. The first audited accounts in respect of the period from inception to the 30th June, 1986 will be posted to Shareholders on 15th September, 1986 or as soon as practicable thereafter.

Meetings

Annual General Meetings of the Fund will be held in Jersey and are expected to be held on the third Friday in October in each year, the first such meeting to be held in October 1986 (or as soon as practicable thereafter). Notices of the Annual General Meeting will normally be included with the Annual Report and Accounts. Investors unable to attend in person may appoint one or more proxies, who need not be investors, to vote on their behalf.

Notices

Written notices to shareholders will be posted to the address shown in the register of shareholders. In the case of holdings in joint names, notices will be sent to the joint holder whose name stands first in the register.

Foreign Exchange Dealings

Dealings in the foreign exchange and euro currency markets will normally be carried out by Charterhouse Japhet (Jersey) Limited on the instructions of the Manager. Where such dealings are associated with issues, redemptions and conversions of Participating Shares, they will be effected on *the basis of the relevant quotations at mid-day (Jersey time), or as close thereto as is practicable, on* the Dealing Day on which the investor's instructions are received and acted upon. Dealings will only be carried out in major, freely-convertible currencies.

Compulsory Redemption and Conversion

If the aggregate net asset value of all the Currency Funds throughout a period of four consecutive weeks shall be less than the equivalent of US Dollars 5,000,000, the Directors of the Fund may give not less than three weeks' written notice of their intention to redeem all (but not some) of the outstanding Participating Shares of the Fund at their respective prices on a Dealing Day to be specified. Such notice is to be given within eight weeks of the expiry of the said four consecutive weeks.

If the aggregate net asset value of a particular Currency Fund throughout a period of four consecutive weeks *shall be less than the equivalent of US Dollars 100,000* (or such higher sum in relation to any Currency Fund as the Directors shall from time to time determine) the Directors may give (without prejudice to the Investors' right to redeem) not less than three weeks' written notice of their intention to convert all (but not some) of the outstanding Participating Shares of the particular Currency class concerned on the basis prevailing on the Dealing Day on which the notice expires, such notice to be given within eight weeks of the expiry of such four consecutive weeks. Such notice will remind investors of their right to convert their Participating Shares into an alternative Currency class (if any is available) and of the alternative of voluntary redemption of their shareholding prior to the conversion by the Fund.

If the ECU shall no longer be used in the European Monetary System or shall cease to be freely available in the international Inter-bank market then ECU Participating Shares will no longer be *issued or redeemed. Existing ECU Participating Shares will be converted into shares of the* Deutschemark class of shares having a value equivalent to the sum of the component currencies as of the date of the relevant event affecting the ECU. The Directors of the Fund may substitute some other arrangement if they consider, after consulting the Auditors, that in the circumstances such other arrangement is more equitable or desirable. In any event, investors who are affected will be given details of the action taken as soon as reasonably practicable.

All Participating Shares in issue on 31st December, 2086 (or if that is not a Dealing Day on the following Dealing Day) shall be redeemed at the prices prevailing on the relevant Dealing Day.

Appendix A: Corporate Structure and Articles of Association

Corporate Structure

The Fund was incorporated in Jersey on 31st January, 1986 under the provisions of The Companies (Jersey) Laws 1861 to 1968 (together the "Law") as Charterhouse Currency Funds Limited with an authorised share capital of US$500,100 comprising 100 Management Shares of US$1 each and 50,000,000 Unclassified Shares of US$1cent each. The 100 Management Shares were subscribed in full for cash at par by or on behalf of the Manager on 4th February, 1986. The Unclassified Shares are available for allotment as Participating Redeemable Convertible Preference Shares or as Nominal Shares. The constitution of the Fund is defined by its Memorandum and Articles of Association. The Articles of Association may be amended by a special resolution passed in accordance with the Law, involving a proposal passed by a two-thirds majority of those present at a General Meeting and subsequently confirmed by a simple majority of those present at a further General Meeting.

The Memorandum of Association of the Fund provides that its principal objects are to carry on business as an investment holding company. The objects of the Fund are set out in full in Clause 3 of the Memorandum of Association.

Except for issues of Participating Redeemable Convertible Preference Shares ("Participating Shares") by reference to asset valuations and the issue of Nominal Shares as described herein, no material issue of shares will be made by the Fund following the initial offer either otherwise than to investors pro rata to existing holdings or so as effectively to alter control of the Fund without, in either case, prior approval of the Fund in General Meeting.

The principal rights attaching to the Fund's Management Shares, Participating Shares and Nominal Shares are set out below.

Management Shares

The Management Shares of US$1 dollar each par value are not redeemable and in accordance with the Articles of Association are owned by the Manager or its nominees. The Management Shares carry no right to dividends, and, in a winding-up, rank for the return of their paid-up par value after the return of the par value paid up on the Participating Shares and the Nominal shares and without recourse to the assets comprised in any Currency Fund and without further rights of participation in surplus assets of the Fund. Management Shares exist solely so that, under Jersey law, the Participating Shares of US$1 cent par value and the Nominal Shares of US$1 cent par value can be redeemable preference shares. Either at a General Meeting or a Class Meeting every holder is entitled, on a poll, to one vote in respect of each Management Share held.

Participating Shares

The Participating Shares, having a nominal value of US$1 cent each, may be issued in sub-classes designated in various currencies and the issue thereof has been sanctioned by a resolution of the Directors passed on 4th February, 1986. The Participating Shares are the only shares which will be issued to the public and which can be issued at a premium and all payments in excess of US$1 cent per share or the equivalent thereof will constitute premium.

The Participating Shares of each currency class are convertible into Participating Shares of any other currency class.

Investors in Participating Shares of each particular currency class are entitled to receive any dividends declared in respect of that class. In a winding-up *the Participating Shares of each currency class rank:-*

(a) in priority to the Nominal Shares and the Management Shares, for the return of their paid-up US$1 cent par value as to which recourse will be had in the following manner:-

(i) to the assets of the Currency Fund linked to the relevant class of Participating Shares;

(ii) to the assets of the Fund not comprised in any Currency Fund; and

(iii) to the assets of the other Currency Funds, after payment of the par value of the Participating Shares linked to those Currency Funds, pro rata to the total value of the assets comprised in those Currency Funds;

(b) pari passu with all other Participating Shares of the same class for the balance of the surplus assets of the corresponding Currency Fund;

(c) pari passu with all other Participating Shares for the balance of surplus assets not comprised in any Currency Fund after payment of the par value in respect of the Management Shares and the Nominal Shares.

The liquidator has power to transfer assets to and from Currency Funds in the course of the winding-up of the Fund in order to share the effective burden of creditors' claims against the Fund on an equitable basis.

Either at a General Meeting or a Class Meeting every holder is entitled, on a poll, to one vote for each Participating Share held.

An instrument of transfer of Participating Shares shall be in writing in any usual or common form in use in the United Kingdom or Jersey or in any other form approved by the Directors and shall be signed with the Certified Signature of the Transferor and accompanied by the Standing Redemption Payment Instructions of the transferee. Transfers of partly-paid shares must also be signed by the transferee. The Directors may decline to register transfers of shares which are partly paid, transfers of shares on which the Fund has a lien and transfers where the Directors have not been furnished with such declarations as they may reasonably require. The Participating Shares are in registered form.

Nominal Shares

The Nominal Shares of US$1 cent each par value are redeemable preference shares and are issued for the purpose of providing funds for the redemption at par of the nominal value of Participating Shares. They can only be issued at par and, in practice, only to the Manager, and they carry no right to dividends. In a winding-up, they rank for return of their paid-up par value after the Participating *Shares and in priority to the Management Shares, but have no rights to any further participation in the* surplus assets of the Fund and no recourse to assets comprised in the Currency Funds. A holder is entitled, on a poll, to one vote in respect of the Nominal Shares held by him, irrespective of the number held.

Valuation Method

To value the assets of each Currency Fund, deposits will be taken at their face value plus accrued interest. CDs and bills will be valued on a "straight line" basis, by which the difference between their cost and their value at maturity is divided by the number of days from acquisition to maturity and the appropriate sum is added day by day. If the foregoing bases of valuation are considered unrealistic the Directors of the Fund may value assets on some other basis. Assets attributable to the Fund generally *(rather than to an individual Currency Fund) will be apportioned pro rata to the net asset values* between the Currency Funds (or on such other basis as the Directors of the Fund with the concurrence of the Auditors consider fair and reasonable). After deducting all known liabilities (liabilities attributable to the Fund generally rather than to an individual Currency Fund, being apportioned pro rata to net asset values between the Currency Funds or on such other basis as the Directors of the Fund with the concurrence of the Auditors consider fair and reasonable, and liabilities in respect of shares being excluded) and appropriate allowances for Duties and Charges (as defined in the Articles of Association), the resultant figure, divided by the number of Participating Shares of the corresponding class then in issue and rounded up to the nearest minimum unit of currency concerned* will be the price of these shares.

This basis of calculation will apply equally to issues, redemptions and conversions, save that (in the case of redemptions or conversions) any amount which the Directors consider just and equitable to reflect any cost of premature realisation of investments may be deducted from the redemption price.

** For this purpose, the minimum units of the currencies concerned will be: UK, one penny; USA, one cent; West Germany, one pfennig; Switzerland, one centime; France, one centime; Japan, one yen. For ECUs the minimum unit will be one-hundredth part of one ECU, expressed as ECU 0.01.*

As an equalisation account will be operating in relation to each particular class of Participating Shares an equalisation payment will be included in the published issue price payable by an investor for Participating Shares issued otherwise than pursuant to the initial offer. An equalisation payment will be included in the first distribution, or if earlier, with the redemption proceeds receivable by an investor.

Participating Shares will be valued for the purpose of issues, redemptions and conversions on the basis of the projected net asset value of each Currency Fund on the second or third Dealing Day following the date when the valuation is made. This enables the Manager to arrange payment for Participating Shares and, in respect of conversions, to transfer funds between the Currency Funds involved; this procedure ensures that no investor is deprived of income on his holding for any period for which he is entitled to such income. The "straight line" method of valuation, combined with detailed knowledge of the portfolio of each Currency Fund, will assist the Manager to make such projections of net asset value.

It should be noted that the price of Participating Shares (and the income therefrom) can go down as well as up. In particular the price of Participating Shares will decrease after a decision to pay a dividend (i.e. when the price is first quoted "ex dividend").

Articles of Association

In addition to the provisions summarised above, or referred to elsewhere herein, the Articles of Association of the Fund contain provisions, inter alia, to the following effect:-

(a) the rights attached to any class of share (unless otherwise provided by the terms of issue of the shares of that class) may from time to time be altered or abrogated either whilst the Fund is a going concern or during or in contemplation of a winding-up with the consent in writing of the Shareholders of not less than three-fourths of the issued shares of that class or with the sanction of a resolution passed at a separate General Meeting of the Shareholders of such shares on the register on the date on which notice of such separate General Meeting is given by a majority of three-fourths of the votes cast at such a meeting, but not otherwise and for such purposes the Directors may treat all the classes of Participating Shares as forming one class if they consider that all such classes would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes;

To every such separate General Meeting all the provisions of the Articles of Association relating to General Meetings or to proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two members at least holding or representing by proxy not less than one-third in nominal amount of the issued shares of the class (but so that if at any adjourned meeting of such Shareholders a quorum as above defined is not present those Shareholders of shares of the class who are present shall be a quorum);

(b) the rights attached to each class of Participating Share shall be deemed to be varied by the creation or issue of any shares (other than Participating Shares of any class) ranking pari passu or in priority to them as regards participation in the profits or assets of the Fund. Subject as aforesaid the special rights conferred upon the Shareholders of any class of shares having preferential or other special rights shall, unless otherwise expressly provided by the conditions of issue of such shares be deemed not to be varied by, inter alia, the creation allotment or issue of further shares ranking pari passu with such shares, the creation allotment or issue or, where applicable, redemption or conversion of Management Shares, Unclassified Shares or Nominal Shares or the conversion of Participating Shares of any class to Participating Shares of any other class. Further such rights shall be deemed not varied by the exercise of the Directors' discretion to attribute any asset or liabilities of the Fund between Currency Funds in accordance with the Articles of Association or the liquidator's power to transfer assets between Currency Funds as indicated above;

(c) the Fund may by Special Resolution increase its share capital, consolidate and divide all or any of its shares into shares of larger amount, sub-divide its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person. Subject to the provisions of the Law, the Fund may by Special Resolution reduce its share capital in any way;

(d) the Directors may exercise the borrowing powers of the Fund but borrowings of the Fund and its subsidiaries (if any) shall not, except with the consent of the Fund in General Meeting, exceed the aggregate of one quarter of the issued share capital and consolidated capital and revenue reserves of the Fund (as defined in the Articles of Association). Further, the Directors shall restrict the borrowings relating to any Currency Fund so as to ensure that the aggregate amount for the time being treated as remaining undischarged of all monies treated as borrowed by a Currency Fund shall not, except with the consent of a resolution passed by a majority of the holders for the time being of Participating Shares present or represented by proxy at a meeting of the relevant class of Participating Shares, exceed nine-fortieths of the net asset value of that Currency Fund;

(e) a Director may act in a professional capacity for the Fund (other than as Auditor) and may receive remuneration for such professional services. A Director may also hold any office or place of profit under the Fund (other than the office of Auditor) and may be a Director, officer or member of a company in which the Fund may be interested;

(f) a Director may contract with the Fund and no contract or arrangement made by the Fund in which any Director is in any way interested shall be liable to be avoided and the Director shall not be liable to account for any profit arising therefrom, but the nature of this interest must be declared at a meeting of the Directors. A Director may not normally vote in respect of any matter in which he is materially interested except in special circumstances set out in the Articles of Association;

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(g) unless and until otherwise determined from time to time by the Fund in General Meeting each Director shall be entitled to such remuneration for his services as the Directors shall from time to time resolve. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in the performance of their duties, and may grant remuneration to any Director for special services which he has been called upon to perform;

(h) there is no share qualification for Directors;

(i) there are no provisions requiring Directors to retire by rotation. Directors are required to retire on reaching the age of 70. A Director may be removed, inter alia, at any time by an ordinary resolution of the Fund passed in General Meeting;

(j) a Director may not be counted in the quorum at any meeting at which proposals are under consideration concerning his appointment to hold any office or place of profit under the Fund nor where any contract or arrangement in which he is materially interested is considered;

(k) the Directors may exercise voting powers conferred by the shares in other companies held or owned by the Fund or exercisable by them as directors of such company in such manner in all respects as they think fit (including the exercising thereof in favour of any resolution appointing themselves or any of them as directors, employees or officers of such company or voting or providing for remuneration to the directors, employees or officers of such company);

(l) the Articles of Association contain provisions indemnifying and exempting every Director, Secretary, other officer or servant of the Fund from liability in certain circumstances not involving wilful default, neglect or default of the parties concerned and empower the Fund to provide indemnities to the Manager and the Custodian;

(m) a copy of the Register of Members is available for inspection by members of the Fund without charge at the registered office of the Manager between 10.00 a.m. and noon on any business day except during periods where the Register is closed in accordance with the provisions of the Articles of Association; and

(n) dividends unclaimed after a period of 12 years from the date of declaration of such dividend are forfeited and revert to the Fund.

Appendix B: Statutory and General Information

European Currency Units

A European Currency Unit ("ECU") is a composite currency unit used as the unit of account for the European Monetary System. The ECU has found increasingly wide acceptance in a number of commercial applications calling for a relatively stable unit of account. Many major banks now regularly deal, lend, accept deposits and issue certificates of deposit denominated in ECUs.

An ECU is defined as the sum of the following amounts of the following currencies:

As at 16th September, 1984:

Currency	Amount of each currency in one ECU	Percentage of one ECU
Belgian franc	3.71	8.2
Luxemburg franc	0.14	0.3
Deutschemark	0.719	32.0
Dutch guilder	0.256	10.1
Pound sterling	0.0878	15.0
Italian lira	140.0	10.2
French franc	1.31	19.0
Danish krone	0.219	2.7
Irish punt	0.00871	1.2
Greek drachma	1.15	1.3
		100.0

One ECU was approximately equivalent to £0.64p based on exchange rates fixed at mid-day in London on 20th February, 1986. (The last practicable date before printing this Prospectus).

Investment Restrictions

The Articles of Association prohibit the Fund from investing in real estate, making "Short Sales" or purchasing securities on margin, assuming unlimited liability obligations and acquiring commodities, but otherwise contain broad powers of investment. Accordingly the Directors have resolved to apply inter alia the following investment restrictions:-

No investment will be acquired which would result in the value of investments of any one Currency Fund issued, made, accepted or guaranteed by:

(i) any one Approved Bank exceeding 10% of the assets of such Currency Fund or £500,000 (or the equivalent thereof) whichever is the greater, save that in the sole case of Charterhouse Japhet plc or its subsidiaries the maximum value of the assets of such Currency Fund shall be the same limit as any other Approved Bank together with an additional permitted limit of 10% of the assets of such Currency Fund;

(ii) any one issuer other than an Approved Bank exceeding 10% of the value of the assets of such Currency Fund.

For these purposes "Approved Bank" means a body corporate either whose assets less contra Accounts (as shown by the latest edition of "The Banker" magazine or such other publication as the Directors approve) are not less than US$3,000,000,000 or whose bills are eligible for discount at the Central Bank of the country (being an OECD signatory) where the principal place of business of such body is situate or which is a subsidiary of such a body corporate, and is either a Registered Deposit Taker under Jersey Law or a Recognised Bank under the Banking Act 1979 of the United Kingdom.

The foregoing restrictions do not apply to investments issued by or deposits placed with sovereign borrowers (being OECD signatories), or agencies or supra-national agencies approved by the Directors.

The Fund may invest in or acquire financial futures contracts or options to purchase money market or other financial instruments (but not options to purchase other property) provided that, save for currency futures and currency options contracts entered into by the Fund for hedging purposes (which are not limited) the aggregate of (i) the nominal value of all financial futures contracts held in a Currency Fund and (ii) the cost of the Fund's holding of options in a Currency Fund shall not exceed 20 per cent of the value of the assets of such Currency Fund.

Furthermore, no investment will be made which would result in the value of any one Currency Fund's total holding of shares not listed or dealt in on a stock exchange exceeding 10% of the value of the assets of such Currency Fund. In addition, no units in a unit trust or shares in an unlisted mutual fund will be acquired if that would cause any one Currency Fund's holding thereof to exceed 5% of the total assets of such Currency Fund. Loans to third parties will only be made or guaranteed with the consent of the Custodian.

The foregoing restrictions do not require the Fund to dispose of investments when any such limit is exceeded as a result of changes in value or assets acquired as a result of rights or bonus issues, exchanges under schemes of arrangement or redemptions but further acquisitions of such investments upon the initiative of the Fund are precluded until the limit is restored.

In addition, it is intended that the investment policy will be such as to meet all limitations for obtaining "distributor" status contained in the Finance Act 1984 of the United Kingdom.

The Fund will not acquire legal or management control over parties issuing or otherwise liable in respect of investments made by the Fund.

Whilst the Directors have resolved that the above restrictions should apply, such restrictions may be revoked or amended at any time, but it is not the intention that these restrictions should be revoked unless warranted by a change in circumstances. Any material revocations or amendments will be notified to Shareholders prior to implementation and in appropriate circumstances may be made subject to Shareholder approval.

Material Contracts

The following contracts have been entered into prior to the date of this Prospectus and are or may be material:-

(a) Under the Custodian Agreement between National Westminster Jersey Trust Company Limited (the "Custodian") and the Fund dated 4th February, 1986 National Westminster Jersey Trust Company Limited was appointed Custodian of the assets of the Fund with the power to delegate. The principal function of the Custodian is to hold the assets of the Fund, collecting any dividends or interest therefrom and dealing with the assets in accordance with the instructions of the company and the Managers. Details of the fees payable to the Custodian are set out under Fees and Expenses. The Custodian Agreement contains provisions indemnifying and exempting the Custodian from liability not due to its own wilful default or negligence. Either party may terminate the Custodian Agreement, inter alia, by giving not less than three months' written notice to the other expiring on 31st March, 30th June, 30th September or 31st December in any year provided that an appropriate replacement for the Custodian has been found. Under the Articles of Association any variation in the Custodian Agreement or any new Custodian Agreement is subject to approval by a resolution passed by a majority of the holders of the Participating Shares, but no such approval is required if the terms of any new agreement do not differ materially from those under the Custodian Agreement or, in the case of a variation, if the variation is necessary or expedient having regard to fiscal and other legislation or if the Fund and the Custodian each certify that the relevant variation does not materially prejudice the interests of the holders of the Participating Shares.

(b) Under the Management Agreement between Charterhouse Japhet Currency Management Limited (the "Manager") and the Fund dated 4th February, 1986 the Fund has appointed the Manager (subject to the overall supervision of the Directors and with full powers of delegation) to manage the Fund's investments and its administrative affairs and act as Secretary and Registrar. Details of the fees payable to the Manager are set out under Fees and Expenses. The Management Agreement contains provisions indemnifying and exempting the Manager from liability not due to its own wilful default or negligence. On any transactions with the Fund, the Manager is entitled to receive usual brokerage or commission but must otherwise deal with the Fund on an arms length basis. The Management Agreement may be terminated, inter alia, by the Manager giving not less than three months' written notice to the Fund expiring on 31st March, 30th June, 30th September or 31st December in any year or by the Fund giving not less than three months' written notice to the Manager (subject to approval by an Ordinary Resolution of the Fund in General Meeting). Under the Articles of Association any variations to the Management Agreement or any new Management Agreement are subject to approval by a resolution passed by a majority of the holders for the time being of the Participating Shares, but no such approval is required if the terms of any new agreement do not differ materially from those under the Management Agreement or in the case of a variation, if the variation is necessary or expedient having regard to fiscal or other legislation or if the Fund and the Manager each certify that the relevant variation does not materially prejudice the interest of the holders of the Participating Shares.

(c) Under the Investment Advisory Agreement between Charterhouse Japhet (Jersey) Limited (the "Investment Adviser") and the Fund dated 4th February, 1986 the Fund has appointed Charterhouse Japhet (Jersey) Limited to provide investment advice. Details of the fees payable under this agreement are set out under Fees and Expenses. The agreement contains provisions indemnifying and exempting the Investment Adviser from liability not due to its wilful default or negligence and provisions enabling the Investment Adviser and its associates to dispose of investments to and to acquire investments from the Fund and to act as an intermediary in respect of such transactions on the terms set out therein. The Agreement may be terminated, inter alia, by three months' notice given by either party at any time.

Dealings by the Manager

The Management Agreement provides that the Manager may sell or buy Participating Shares as principal or arrange for their transfer from or to other persons in response to any application for Participating Shares or request for their redemption or conversion provided that in no case shall the price of a Participating Share in any such transaction be above or below that determined in accordance with the Articles of Association.

Directors' Interests

The Directors of the Fund have no interests in the share capital of the Fund which would be required to be disclosed under the Companies Act 1985 of Great Britain if the Fund were subject to that Act.

No Director has any interest in any transaction which is of an unusual nature, contains unusual terms or which is significant in relation to the business of the Fund and which remains in any respect outstanding or unperformed. Mr. Wragg, Mr. Chaplin and Mr. Wetherall are directors of the Manager and Mr. Wragg and Mr. Wetherall are directors of the Investment Adviser which receive fees under the Management Agreement and the Investment Advisory Agreement respectively as described herein.

Mr. Chaplin is a partner in the firm of Michael Voisin & Co (Jersey legal advisers to the Fund) who will receive a fee from the Fund in connection with the incorporation and initial issue of shares in the Fund.

Save as disclosed herein, no Director of the Fund has any interest, direct or indirect, in any assets which have been or are proposed to be acquired, or disposed of by, or leased to the Fund or in the promotion of the Fund.

There are no outstanding loans granted by the Fund to any of the Directors nor any guarantees provided by the Fund for the benefit of such Directors.

Auditors' Report

The following is a copy of a letter from the Fund's Auditors to the Directors:-

Arthur Young,
Ordnance House,
Pier Road,
St. Helier,
Jersey.
5th March 1986

The Directors,
Charterhouse Currency
Funds Limited

Dear Sirs,

Charterhouse Currency Funds Limited was incorporated under the laws of Jersey on 31st January, 1986. At the date of this letter it has not commenced business and, accordingly, no accounts have been prepared and no dividends have been declared or paid.

Yours faithfully,
Arthur Young,
Chartered Accountants.

General

(a) The Manager may at its discretion, and at its own expense, pay commission to investors or their agents. Save in accordance with this power, no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Fund.

The Manager is permitted to buy and sell Participating Shares in satisfaction of applications for the redemption or issue of Participating Shares and may derive profits on buying and selling or redeeming Participating Shares.

(b) No share or loan capital of the Fund has been issued for a consideration other than cash or is proposed to be so issued.

(c) No capital of the Fund is under option or agreed conditionally or unconditionally to be put under option.

(d) The Fund is not engaged in any litigation and, so far as the Directors of the Fund are aware, no litigation or claims of material importance are pending or threatened against the Fund.

(e) Save in respect of the Management Shares of the Fund (all of which are in issue and beneficially owned by the Manager) and the Nominal Shares to be issued to the Manager as provided in this document the Directors are not aware of any person having an interest in 5 per cent. or more of any class of shares of the Fund.

(f) There are no Service Agreements in existence between the Fund and any of its Directors nor are any such agreements proposed. The Fund has no employees. The aggregate Directors' emoluments are currently estimated at £7,000 per annum.

(g) The Fund had at the date hereof no loan capital outstanding or created but unissued, term loans (whether guaranteed, unguaranteed, secured or unsecured) or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, mortgages, charges, material contingent liabilities or guarantees. The borrowing policy of the Fund is set out under Appendix A.

(h) The Fund does not own any freehold or leasehold property nor does it have any subsidiaries.

(i) The Fund has not established and does not intend to establish a place of business in the United Kingdom.

(j) This Prospectus shall have the effect, where an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 82, 86 and 87 of the Companies Act 1985 of Great Britain so far as applicable having regard to section 75 of that Act.

(k) The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in England and Wales for registration were copies of the above-mentioned Material Contracts, and the consent of the Auditors referred to in paragraph (n) below.

(l) (Save as disclosed herein) no amount or benefit has been given or paid (or is intended to be given or paid) to any promoter.

(m) The minimum amount which in the opinion of the Directors must be raised in order to provide for the matters referred to in paragraph 2 of the Third Schedule to the Companies Act 1985 of Great Britain (the whole of which must be raised by the initial issue) is the equivalent of US$1,000,000 and is made up as follows:-

		US$
(i)	Purchase price of property	nil
(ii)	Preliminary expenses	$364,000 (or the equivalent thereof)
(iii)	Repayment of moneys borrowed for the foregoing	nil
(iv)	Working capital	$636,000 (or the equivalent thereof)

If the amount raised by the Initial Offer is less than US$1,000,000 no Participating Shares of any class will be issued and all application moneys will be returned by post at the applicants' risk by 21st March, 1986.

Based on the foregoing the Directors consider that the Fund will have sufficient working capital for its present requirements.

(n) Arthur Young have given and have not withdrawn their written consent to the issue of the Prospectus with their report included herein in the form and context in which it is included.

(o) The Fund through the Custodian is free to enter into banking and foreign exchange transactions with members of The Royal Bank of Scotland Group plc on their normal terms and members of The Royal Bank of Scotland Group plc may act on their normal terms in relation to banking and foreign exchange transactions to be arranged by the Manager on behalf of investors or applicants for Participating Shares.

(p) No part of the initial offer of Participating Shares is underwritten.

Documents Available for Inspection

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays and Public Holidays excepted) at the offices of the Manager in Jersey until further notice and at the offices of Linklaters & Paines, Barrington House, 59/67 Gresham Street, London EC2V 7JA until 14th March, 1986.

(a) the Memorandum and Articles of Association of the Fund;
(b) the Material Contracts referred to above;
(c) the Companies (Jersey) Laws 1861 to 1968 under which the Fund was Incorporated;
(d) the Auditors' letter and consent referred to above.

This Prospectus is dated 5th March, 1986.

Further copies of this Prospectus may be obtained from:

Charterhouse Japhet plc,
1 Paternoster Row, St. Pauls, London EC4M 7DH.

Charterhouse Japhet (Jersey) Limited,
P.O. Box 348, 22 Hill Street, St. Helier, Jersey, Channel Islands.

Charterhouse Japhet Currency Management Limited,
P.O. Box 189, 17-19 Don Street, St. Helier, Jersey, Channel Islands.

Capel-Cure Myers,
(also at The Stock Exchange, London)
65 Holborn Viaduct, London EC1A 2EU.

and through branches of
The Royal Bank of Scotland plc

If you are in any doubt about the contents of this document you should contact your stockbroker, bank manager, solicitor, accountant or other financial adviser.

Application Form

To: Charterhouse Japhet Currency Management Limited,
P.O. Box 189, St. Helier, Jersey. Telephone Number: 0534-74689.
Telex Number: 4192258 (CJCMJY).

1 Investment Instructions

I/We hereby apply to invest in the class/classes of Participating Shares in Charterhouse Currency Funds Limited indicated below:

Share Class	Initial Share Price	Minimum Initial Subscription	Amount to be Invested
Sterling	£10	£1,000	£
US Dollars	US$15	US$2,000	US$
Deutschemarks	DM 40	DM 4,000	DM
Swiss Francs	SFr 30	SFr 3,000	SFr
French Francs	FFr 100	FFr 1,000	FFr
Japanese Yen*	Yen 3,000	Yen 300,000	Yen
European Currency Units	ECU 20	ECU 2,000	ECU

*See details of payment and basis of allotment

subject to the terms of the Prospectus dated 5th March, 1986 and the Memorandum and Articles of Association.

2 Payment Advice
Please complete either Section A or Section B as appropriate.

(A) Payment by Cheque or Banker's Draft (Note 1)

I/We enclose a cheque/banker's draft for [total amount to be invested]

made payable to Charterhouse Japhet Currency Management Limited.

(B) Payment by Telegraphic Transfer

I/We have instructed my/our Bank as follows:

Name of Bank:

Branch:

Bank Address:

My/our Account Number:

to remit forthwith by telex transfer the sum of [total amount to be invested]

to the appropriate Correspondent Bank ticked on the next page.

Currency of Payment	Correspondent Bank	Account Details
Sterling	Barclays Bank PLC, Halkett Place, St. Helier, Jersey. Telex: 4192380	Charterhouse Japhet (Jersey) Limited Account Number 90261246 Reference CJCM/CCF ☐
United States Dollars	The Chase Manhattan Bank N.A., 1 New York Plaza, New York 10081, USA. Telex 42065	Charterhouse Japhet (Jersey) Limited Account Number 001-1-920741 Sub-Account CJCM/CCF ☐
Deutschemarks	Chase Bank, A.G., P.O. Box 4428, Taunusanlage 11, 6000 Frankfurt-am-Main, Germany. Telex 411625	Charterhouse Japhet (Jersey) Limited Account Number 623-12-02042 Sub-account CJCM/CCF ☐
French Francs	The Chase Manhattan Bank, N.A., 41, rue Cambon, 75001 Paris, France. Telex 210610	Charterhouse Japhet (Jersey) Limited Account Number 609-1-10891-7 Sub-account CJCM/CCF ☐
Swiss Francs	Chase Manhattan Bank (Suisse) SA, 63, rue du Rhône, 1204 Geneva, Switzerland. Telex 28121	Charterhouse Japhet (Jersey) Limited Account Number GAB64104 Sub-account CJCM/CCF ☐
European Currency Units	Krediet bank N.V., 7 Arenbergstraat, 1000 Brussels, Belgium Telex 21761190	Charterhouse Japhet plc Sub-account Charterhouse Japhet (Jersey) Limited ref CJCM/CCF ☐

3 Registration Particulars

I/We request that the Participating Shares be registered as follows:-

(Please read Note 2 before completing).

In the case of joint applications, all applicants must sign under 6.

	Surname(s)	Forename(s)
1		
2		
3		
4		

Address of first named Applicant

Postal Code

4 Standing Redemption Payment Instructions

I/We hereby instruct you to pay the proceeds of redemption of Participating Shares of any Currency class now or hereafter registered in the above name(s) only to:-

Name of Bank:

Branch:

Bank Address:

My/our Account Number:

5 Dividend Payment Instructions

Please tick the box in Section A or Section B as appropriate.

(A) Payment of Dividends

I/We hereby authorise and request you to remit all dividends together with all income distributions which may from time to time become payable to me/us as follows:-

(1) Pay in accordance with my/our Standing Redemption Payment Instructions (as in Section 4) or ☐

(2) Pay by cheque/banker's draft to the first named registered holder in Section 3; or ☐

Please arrange for dividends arising on my Yen class shares to be paid in accordance with either 1 or 2 *(delete whichever number is not appropriate)* in ______ *(state Currency in which payment is required).*

Yen class shareholders should refer to Dividend Policy if in doubt.

(B) Reinvestment of Dividends

I/We hereby authorise you to make arrangements to reinvest all dividends arising on my/our holding of Participating Shares into further Participating Shares, in the same currency class as such dividends are payable. ☐

6 Declaration

I/We hereby declare that the Participating Shares are not being acquired directly or indirectly by a U.S. Person nor in violation of any applicable law and that they will not be owned beneficially by a resident of Jersey (See Note 3).

I/We confirm that I am/we are not resident in Jersey for the purposes of the Income Tax (Jersey) Law 1961. (Any applicant unable made to make this Jersey Tax Declaration should delete it, in which case tax will be deducted from any payment of dividends at the standard rate of Jersey Income Tax from time to time being in force.)

This application form may be signed by a duly authorised agent of the applicant(s).

Signature(s)

1 Date:
2 Date:
3 Date:
4 Date:

Notes

1. Payment may be made either by banker's draft in any of the Fund currencies with the exception of Yen or by cheque which must be drawn in Sterling on a bank in the United Kingdom. Cheques and drafts should be sent and made payable to Charterhouse Currency Funds Limited.
2. Applicants wishing their Participating Shares to be registered in the name of a bank or other nominee must arrange for such nominee to apply on his behalf and give the appropriate Standing Redemption Payment Instructions.
When applicants request that the Participating Shares be registered in their names, only the address of the first named applicant is required for registration. The Registrar does not undertake to register more than four names.
3. "U.S. Person" includes a national or resident of the United States of America, a partnership organised or existing in any state, territory or possession of the United States of America, a corporation organised under the laws of the United States of America or of any state, territory or possession thereof, or any estate or trust, other than an estate or trust the income of which from sources outside the United States of America (which is not effectively connected with the conduct of a trade or business within the United States of America) is not included in gross income for the purposes of computing United States federal income tax. For the purposes of this definition "United States of America" includes the United States of America, its territories and possessions and areas subject to its jurisdiction.
If you are unable to make the above residential declaration, please delete the relevant part(s) of Section 6 of the application form.

UK COMPANY NEWS

NatWest surges 20% to record £804m

BY MICHAEL CASSELL

National Westminster Bank yesterday announced higher than expected record pre-tax profits of £804m for 1985—an increase of 20 per cent over the previous year.

NatWest, the second of the UK clearing banks to release its results, said that all three operating divisions made improved contributions.

News of the profits rise, from £671m in 1984, sent the bank's shares up 25p to close at 733p and also helped raise the share prices of the other clearers. Midland Bank reports today, with the City expecting pre-tax profits of up to £350m.

The final NatWest dividend of 18.2p per share makes a 1985 total 10.2 per cent higher at 28.2p (25.6p).

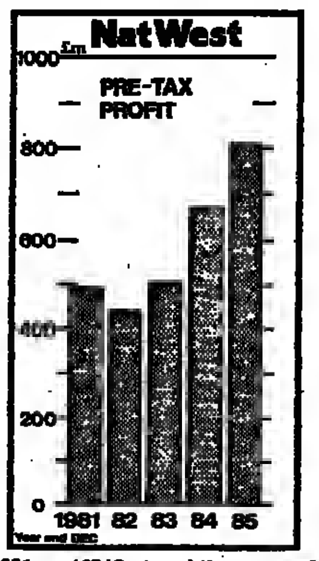
Sterling advances grew by 10 per cent but a modest 1.5 per cent growth in the overall balance sheet reflected the impact of exchange rates, in particular the weaker US dollar.

Retained earnings stood at £340m, against £202m, with earnings per share coming through at 123p (88p). Tax was £354m (£377m), representing 44 per cent of group profits. The bank said it was "premature" to provide a risk-asset ratio, as Lloyds Bank did last week, but said that the key gearing ratio had moved from 1:22 in 1984 to 1:17 during 1985.

Mr Philip Wilkinson, NatWest's chief executive, said that the results provided "a strong platform for 1986" and that the bank was taking a confident view of prospects for the year.

Bad debt provisions amounted to £338m, against £351m. As a result, the overall provision fund rose by £92m to £1.01bn, representing 2.2 per cent of amounts due from customers compared with 2 per cent in 1984. NatWest would not identify specific countries or borrowers but said that it had made "substantial" provision against exposure in the shipping industry.

A redistribution of around £100m has been made between general and specific provisions, reflecting what the bank said was its "developing experience with regard to certain sovereign risks." At the year-end, specific provisions for combined domestic and international businesses stood at



£691m (£548m) while general provisions amounted to £318m (£370m).

Mr Wilkinson said that the shift towards specific provisions did not imply a gloomier view of the risks involved in its sovereign debt portfolio. In talks with the Inland Revenue, he said the bank had found an increasing willingness to recognise that specific provisions against sovereign debt could be regarded as tax deductible. It was, therefore, more appropriate for NatWest to think in specific terms.

On a divisional basis, domestic banking operations achieved profits, after loan capital interest, of £526m (£405m), representing 65 per cent of the group total. International banking provided a further £181m (£171m) and profits from related banking services rose marginally from £95m to £97m. The Lombard Group achieved a 10 per cent rise in profits.

In its domestic banking business, the bank said it had to forgo profits during the first half of the year because of higher interest rates, but that the subsequent replacement of maturing fixed rate loans with loans at higher rates—together with the decrease in prevailing interest rates—helped second-half net income by £20m.

National Westminster Home Loans recovered during the second half to record 1985 profits of £44m (£60m). The bank has a current mortgage book of £3.4bn and made £850m in new loans last year. It has set aside a further £1.5bn for residential mortgages during the current year. It also gained over 30,000 accounts since December, when it introduced free banking for customers in credit.

NatWest emphasised that it was continuing to develop and strengthen international operations. Mr Wilkinson said the bank was "very happy" with its US business and had no intention of following the example of some other clearers by disposing of its US operations. He added: "On the contrary, we want to build on this strength and increase our business in North America."

Investment banking activities are also growing and it is pressing ahead with plans to step up its involvement in international securities markets through NatWest Investment Bank, which is to be capitalised at £300m. It is aiming to be one of the leading investment banks in London, with a presence in Europe, Asia and the US. In the US, NatWest is seeking approval to create a securities broking and research operation.

See Lex

Fisons is better than expected at £72m

By Tony Jackson

Fisons, the pharmaceutical and scientific instruments group, continued its remarkable growth last year with a 50 per cent jump in pre-tax profits to a better-than-expected £72.3m.

At the operating level growth was more modest, with profits ahead 27 per cent at £66.9m. The interest charge, however, swung by almost £10m from £4.5m payable to £5.4m receivable. This was partly the result of the group's £94m rights issue this time last year, another result being slower growth in earnings per share of 29 per cent from 18.8p to 24.3p. The dividend was raised by 22 per cent to 5.5p for the year on capital enlarged by last April's £94m rights issue.

Group sales grew by 17 per cent to £646.7m, with 81 per cent made overseas, and 48 per cent in North America.

Besides the growth in profit, the group pointed to the improvement in the quality of earnings. In particular, return on capital continued its uninterrupted rise of recent years, reaching 23.9 per cent, against the previous year's 21 per cent.

A little more than half the growth in operating profit came from the pharmaceutical division up from £31.2m to £39m on turnover of £220.8m (£198.5m), where the star performer was the US with a sales increase of 40 per cent.

Opticrom, a product for eye allergies, was launched in the US at the end of 1984, and made excellent progress. Intal, the asthma drug, continued its US growth, despite having been launched there 15 years ago.

In the UK, Germany and Scandinavia business was flat for the year, said Mr John Kerridge, chairman. "The incidence of hay fever and eye disorders was down in the first half, and we had to work to catch up in the second."

Mr Kerridge said there had been reasonable underlying growth in prescription drugs in the UK, despite the tougher Government attitude towards drug pricing. However, the group had seen particular strength in its generic drugs business.

"We can compliment ourselves that we got into that market at the right time three or four years ago," he said.

The scientific equipment division showed a rise in operating profits of 22 per cent, from £15.8m to £19.2m on turnover up by £67m to £358.2m. About £1.5m of that, Mr Kerridge said, came from acquisitions made during the year. In particular, the Italian company Carlo Erba had been much more profitable than expected.

Horticulture division recorded operating profits of £8.7m (£5.8m) on turnover of £67.7m (£63m). About £1.5m of the group profit increase came from currency movements, Mr Kerridge said.

Fisons shares closed 8p higher at 528p.

See Lex

Wolseley rights to fund Grovewood deal

BY CHARLES BATCHELOR

Wolseley-Hughes, one of leading UK central heating and plumbing supplies merchants, is paying £109.3m in cash for the bulk of Grovewood Securities, currently part of BAT Industries.

Wolseley will finance most of the purchase price by means of a one-for-three rights issue at 425p per share to raise £100.4m.

The company's shares fell 27p at one stage yesterday but rallied to close 8p higher at 513p.

This deal is Wolseley's largest acquisition and comes less than three months after it paid £54m for Carolina Builders Corporation, a US distributor of building materials.

It gives Wolseley a better balance between its manufacturing and distribution arms and between its US and British operations, Mr Jeremy Lancaster, the chairman said.

Wolseley expects greater growth opportunities in the US over the next few years and wants a strong UK base to avoid becoming too US-oriented.

It is acquiring Grovewood businesses accounting for £18.5m of trading profit and sales of £195.5m in 1985.

The businesses being transferred to Wolseley include the Ray and Harris builders' merchants with 35 outlets in Southern England handling "heavy" products such as bricks, sand and cement.

Wolseley already has a chain of 190 merchants though these distribute mainly "light" products such as heating and plumbing equipment.

Wolseley is also acquiring Grovewood companies which make domestic plastic products, electrical accessories and trade mouldings, and which make and distribute agricultural accessories and the Howard technical design and consultancy business.

As well as raising £100.4m by means of the rights issue Wolseley will borrow £15m to meet the total purchase costs of £115m. This will take group borrowings to about £40m, or 20 per cent of shareholders' funds.

Wolseley also announced a 27 per cent increase in its pre-tax profits to £16.9m in the six months ended January 1986 from £13.3m. It will pay an interim dividend of 3.5p and expects to recommend a final payment of at least 7p on the enlarged capital.

BAT, which acquired Grovewood as part of the purchase of Eagle Star Insurance, is near to finalising the sale of most of the rest of the company for a further £30m.

Telemetrix loses £0.7m and closes two offshoots

Telemetrix, a designer and manufacturer of electronic products, has suffered a £2.54m downturn to a loss of £688,000 in the first half of the 1985/86 year.

The company has decided to close two subsidiaries — Lord Medical, a medical equipment maker, and Telegraphix, which sells video presentation systems. The cost of £55,000 is taken as an extraordinary item, leaving the company with an attributable deficit of £617,000.

However, the dividend is held at 0.6p, in spite of losses per 5p share of 2.8p (earnings 6p). Shareholders had been warned of a slump last November, when a gloomy statement from the chairman, Mr Roy Cole, wiped a quarter off the value of the company's shares. These closed yesterday at an unchanged 95p, compared with a price of 185p in the 1983 flotation.

The current half should see an improved performance, but full year profits are expected to be substantially lower than last time's £4.74m. However, he expects a strong recovery for the 1986-87 year.

● **comment**

Simply put, Telemetrix's ills have been caused by expanding its cost base to meet rising demand which — as far as it was concerned — just did not materialise. Its volume was unchanged in a market that rose by 20 per cent. In part this can be explained by an overfilled pipeline to its customers and a drop in demand from OEMs but the core point is that the product range had matured and the company did not have the next generation in place. Product launches this month, next autumn and in the spring of '87 should right this wrong, extending the range to a broader base and returning Telemetrix to the growth path. Meantime the second half should bounce back to produce £1½m for the year. In fact the interim losses are not quite as bad as they look for tucked in above the line is £½m of stock write downs. So at 95p the shares have probably reached the bottom assuming that 1986-87 can produce profits similar to the £4.7m of last year. This however turns on new products that the City is yet to even see — on balance Telemetrix should have the right ones in its r and d department but there has to be an element of risk in that assumption.

Wardell Roberts' pre-float forecast

Wardell Roberts, the Dublin-based distributor of tea, coffee and snack foods which last week announced that it was to be floated on the USM, yesterday forecast profits of at least I£1m for the year to this March 31 compared with I£240,000 for the previous year.

The company is coming to the market through a placing of 3m shares at 50p a share by DC Corporate Finance. Its market capitalisation at the placing price will be I£7.79m.

Its prospectus shows an erratic profits record with losses of £215,000 in the year to March 1983, and £437,000 in the year to March 1984.

Some 93 per cent of the shares being placed are new shares issued by the company and will raise £1.25m net.

Coloroll bids £11m for Staffs

BY LIONEL BARBER

COLOROLL, the wallpaper and furnishings manufacturer, yesterday launched an £11m hostile bid for Staffordshire Potteries, the mug, giftware and dinnerware manufacturer.

The bid came one day after Coloroll and Staffordshire called off merger talks because of what staff described as "incompatible management styles."

Mr John Ashcroft, Coloroll's chairman and chief executive, said: "Staffordshire is a cash starved business but has good products which we can use to expand our sales in the UK and North America."

Mr Bill Bowyers, Staffs' chairman, whose family controls around 20 per cent of the ordinary equity, said: "Mr Ashcroft seems to be in one terrific hurry."

Coloroll's sales have grown almost tenfold from £6.5m in 1978, and it claims to be the UK leading manufacturer of DIY wallcoverings. Based in Nelson, Lancashire, it employs 1,300 people and has a market capitalisation, based on last night's closing price of 165p, down 2p, or just over £50m. It already holds 9 per cent of Staffs.

Staffs claims to be the world's most prolific manufacturer of coffee mugs, turning out 750,000 mugs a week. It employs just under 1,500 people and has recovered from losses in 1981 and 1982 to make £1.02m pre-tax in the year ending November 1985.

Coloroll, advised by S. G. Warburg, is offering three new shares for every five in Staffs, valuing it at 111p a share. There is a cash alternative of 102p. Staffs, advised by Hill Samuel, closed at 119p, down 3p.

Staffordshire has an unusually large number of preference shares which, upon conversion, account for around 40 per cent of its enlarged equity.

These preference shares, the result of a heavy rights issue in 1981, are convertible into Staffs' ordinary on a basis of five new ordinary for every two prefs. Coloroll is offering three of its own shares for every two Staffs' prefs.

On the basis of last night closing price of 166p for Coloroll, the offer values each preference share at 279p. There is a cash alternative of 256p.

Coloroll yesterday forecast a final dividend of 3p for the year ending March 1986, making a total of 5p. Staffs' shareholders who accept the offer would receive gross income of 4.3p a share, Coloroll said.

'MMC chief exceeded powers'—Argyll

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

SIR GODFRAY LE QUESNE, QC, chairman of the Monopolies and Mergers Commission, had been wrong to conclude that a revised bid by Guinness for Distillers drinks group indicated that Guinness had abandoned its original merger plans, the High Court was told yesterday.

Mr Allan Heyman, QC, for Argyll Group, the rival bidder for Distillers, said that Guinness's proposals were undoubtedly still in existence in the new bid the company made the day after the Commission laid aside the reference of the original bid.

Argyll is asking the court to quash the decision to lay aside the original Guinness bid, and to rule that the reference to the Commission, which had the effect under the City takeover code that the bid automatically lapsed, subsists.

Argyll contends that Sir Godfrey exceeded his powers under the 1973 Fair Trading Act in deciding that the original bid had been abandoned. The only unilateral action open to the Commission chairman was to appoint a group of members to investigate a bid, Mr Heyman said.

Asking why Sir Godfrey had not appointed a group to investigate the Guinness bid, Mr Heyman said that the case demonstrated the need to have difficult issues looked at by a group.

Mr Heyman said that if it were possible by, for example, increasing a bid by 5p per share, to remove a reference, the whole basis of the reference procedure would be almost laughable.

Mr John Mummery, for the Commission, said that the issue of whether the bid had been abandoned was a question of fact which the Commission decided by comparing the proposals in the original bid with those in the revised offer.

The hearing continues today.

COMPANY NEWS IN BRIEF

Johnstone's Paints, a USM stock, has made up for a lacklustre half-year with a £1.5m second-half boost, bringing the total for the year ending November 1985 to £1.54m pre-tax. The Manchester-based paint maker's full-year result compares with 1984's £1.52m on turnover of £11.96m (£10.47m), and the directors are recommending a final dividend of 2.5p. This makes a total for the year of 4.265p, up 6.6 per cent. Earnings per share were down at 9.12p against 11.26p after higher taxes of £585,000 (£333,000).

STAT-PLUS GROUP, the stationery, printing and furniture retailer, has increased full-year profits by 50 per cent and plans to graduate from the USM to a full listing. At £1.53m pre-tax, the result compares with 1984's £1.02m, and was achieved on turnover ahead by 25 per cent from £4.54m to £5.67m. The final dividend is 2p (1.5p) for a 3p (3p) total.

KUNICK LEISURE, which in January announced that it was acquiring Nomis Management, the company which manages pop group Wham!, for £5m, said yesterday that it had decided to break off negotiations on the proposed takeover. It was announced two weeks ago that the two-man group was to split up.

BRITISH TELECOM expects to complete its acquisition of 51 per cent of Mitel Corporation within the next few days following clearance by the regulatory bodies in the US and the UK, as well as by the Canadian Government acting on recommendations from Investment Canada.

BARHAM GROUP has exchanged contracts regarding the acquisition of Marcus Bohn Associates, an operator of training courses. Initial consideration to be paid on completion is £2.4m. Part of this will be satisfied by the issue of 311,890 ordinary shares in Barham. Further consideration, limited to £1.4m may be payable. This is dependent on MBA's profits between March 1986 and January 1989.

JOHNSON Matthey completed the sale of Eagle Transfers on February 28 to Milden Signs, manufacturer of vehicle markings and other self-adhesive products. Milden and Eagle will be formed into the Milden Eagle Group and, directors state, becomes the largest manufacturer of vehicle markings within the UK.

IBSTOCK JOHNSEN'S wholly-owned US subsidiary, Glen-Gery Corporation has acquired the assets of Hanley Brick Inc for $5.16m (£3.56m) cash. In 1985 Hanley achieved taxable profits of $800,000 (£552,000).

UK COMPANY NEWS

Strong fourth quarter lifts Unilever

BY CHRISTOPHER PARKES

Unilever, the Anglo-Dutch consumer products and food group, has lifted 1985 pre-tax profits to £954m, compared with £925m in 1984. The analysts' best estimates suggested that the group would do well to equal the 1984 result.

This 3 per cent increase — which translates to 16 per cent on a comparable basis when the effects of currency fluctuations are ironed out—stemmed partly from a strong performance in the final quarter, Sir Kenneth Durham, retiring chairman, said in London yesterday.

The company reported a 50 per cent increase in profits, from £214m to £322m, for the last three months of the year on turnover which rose only 8 per cent to £4.59bn. Fourth quarter figures last time included an extraordinary charge of £86m for losses and provisions arising from the group's continuing withdrawal from peripheral activities.

The share price closed at £14¾ up ⅜ on the day.

Turnover for the year increased to £16.75bn, up 4 per cent based on exchange rates at the close of the year, and 13 per cent on a comparable basis.

Profit attributable totalled £519m against £503m. Earnings per share were 138.8p compared with 134.3p.

Unilever is proposing a final dividend of 26.67p (24.03p) a share making a total for the year of 38.24p (35.52p). Unilever NV final payment is Fl 10.16 (Fl 9.45) making a total of Fl 14.82 (Fl 14.11).

Apart from a lull in the final quarter, the US detergent war continued between Unilever and Procter & Gamble. Sir Kenneth, who last year warned that heavy investment in rolling out new products could cause a fall in profits in North America, said new launches had provoked "a violent reaction" from the competition.

Surf, Unilever's heavy duty detergent answer to Procter's Tide, is currently being introduced nationally in the US. Liquid Surf is on sale in regional test markets. Snuggles fabric conditioners and Sunlight detergent are also being rolled out.

Procter is expected to retaliate shortly with several product improvements and it also has Omaha Tide—assessed by market experts as a detergent with better than average prospects — up its

Unilever claims volume sales of detergent in the US, which accounts for 30 per cent of its global sales in this sector, rose by 15 per cent last year. "We have no intention of slackening off promotions or roll-outs," Sir Kenneth declared.

Partly because of heavy expenditure in the US market the group's global operating profits from detergents slumped from £203m to £126m.

Unilever is still struggling in the US personal products market. Following the failure to win control of Richardson-Vicks, Sir Kenneth said the group still had too small a base in this sector. It would have to be widened, he added.

Signal mouthwash and Impulse body sprays are selling strongly, but the company failed to get its Dimension shampoo off the ground after its launch coincided with the appearance of more than half a dozen competing products.

It is having technical problems introducing its Mentadent toothpaste, a highly successful product in Europe, and in any case faces strong competition in this market from Procter's new Tartar-Control Crest brand.

North American sales for the year slipped from £3.11bn to £2.89bn in 1984. Operating profit *in the region, affected by* currency fluctuations, fell from £190m to £107m.

Strong growth in most European markets—marred by poor margins in the West German detergent trade—resulted in a rise in sales from £9.82bn to £10.66bn and a 28 per cent increase in operating profit to £522m compared with £413m in 1984.

See Lex

Revamped Hawley up to £33m

DURING a year of rationalisation and simplification of group structure and operations, Hawley Group, cleaning and maintenance, home improvements and security concern, has pushed pre-tax profits up from £28.51m to £33m for 1985.

The directors say that results represent a considerable achievement in the difficult trading conditions in the home improvement division, and the continued weakness in the US dollar.

They add that shareholders' funds have been substantially increased following completion of the US$50m convertible preference share issue, and the group is now well positioned to take full advantage of the opportunities for sizeable internal and acquisitive growth.

After tax of £5.49m, against £5.76m, earnings emerged at £27.51m, compared with £22.75m or 12.9p (9.9p) per US$0.01 common share.

Net profits were divisionally split as to: cleaning and maintenance £10.89m (£5.95m); home improvements £5.93m (£9.83m); security £6.78m (£5.74m); travel and leisure £3.53m (£3.16m). Associate companies' share was £10.73m (£6.84m), while central costs, financial services and dis-

Net sales are shown as £390.53m for 1985, compared with £277.17m following a lift at halfway from £119.23m to £193.17m—pre-tax profits at that stage were £12.12m.

● comment

Hawley Group has come in just a fraction below expectations on profits but a bit ahead on earnings—hence an almost static share price of 112p. Restructuring the group's short-term dollar debts has clearly been the main development. In December a $100m six-year facility was successfully put in place. Last month this was almost matched by an $80m convertible preference share issue—in practice a delayed rights at a 135p exercise price. With its balance sheet now strengthened, Hawley need not think too much about having to dispose of its 43 per cent stake in Cope Allman. Gearing is now about 25 per cent. The US bias in profit contribution remains, especially in the cleaning division. Here, Mr Ashcroft is certain to be an interested player in the sort out of the UK cleansing market once it is clearer just which way Pritchards/Brengreen are going. Home improvements should be back to 1984 levels in this current year and the City is expecting pre-tax profits of £39m and undiluted earnings per share of 15p. This has the shares trading rather modestly on a prospective p/e of 7½.

Tate has 2.6% Berisford stake

Tate & Lyle, the UK sugar refiner, has bought a 2.6 per cent stake in S & W Berisford, the sugar and commodity trader being pursued by Hillsdown Holdings and Ferruzzi, the Italian food group.

Tate confirmed yesterday that it bought the stake through its brokers Hoare Govett on Monday. It declined to comment on whether it had made further purchases yesterday.

Market analysts said that Tate's share buying could herald a three-way fight between Hillsdown (holding 9 per cent) and Ferruzzi for control of Berisford. But they said that Tate may have decided to buy a strategic stake to have influence on the outcome or to take future profits.

DIVIDENDS ANNOUNCED

Blagden Inds. ...2nd int	3.7†	Apr. 4	3.7	7.2	7.2
Fison	3.34†	—	2.7	5.5	4.5
Fleming Mercantile	2.35	—	2.28	3.6	3
Hawley Group	§2.85	—	2.14	4.6	3.41
Johnstone's Paints‡	2.5	Apr 24	2.24	4.27	4
NatWest Bank	18.2†	Apr 4	16.3	28.2	25.6
Provident Financial	9	—	7	13	10.5
State-Pine†	2	—	1.5	3	2
Telemetrix ...int	0.6	Apr 22	0.6	—	1.75
Unilever	26.67	May 28	24.03	38.24	35.52
Unilever NV	**10.16	May 27	9.45	14.82	14.11
Wolseley-Hughes ...int	‖3.5	—	*2.4	—	*8.8

Dividends shown in pence per share except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ US cents throughout. ‖ To reduce disparity. ** Gross Dutch Florins throughout.

Independent Newspapers, PLC

PRELIMINARY RESULTS 1985

	1985	1984
	IR£	IR£
Profit before tax	4.6m	3.0m
Earnings per share	21.9p	13.4p
Ordinary dividend	15.0p	12.0p

These preliminary results for the year to 27th December 1985 are extracted from the Annual Report & Financial Statements upon which the Auditors have given an unqualified report.

Profit before tax	+52%
Earnings per share	+63%
Dividend	+25%

A year of significant progress

The 1985 Annual Report & Financial Statements will be posted to shareholders on 20th March 1986. The Annual General Meeting of the Company will be held on 11th April. Copies of the Annual Report & Financial Statements may be obtained from the Secretary, Independent Newspapers, PLC, Group Headquarters, 1-2 Upper Hatch Street, Dublin 2.

UK COMPANY NEWS

Court allows Rank to challenge IBA's decision

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

Rank Organisation was yesterday given leave by the High Court to challenge the Independent Broadcasting Authority's decision to block its contested £753m bid for the *Granada* Group.

Rank will seek an order quashing the decision on the ground that the IBA acted in breach of its duties under tha 1981 Broadcasting Act.

Although Rank was given leave to try to have the matter heard on Friday, it is thought likely that the need to serve tha documents on Granada as well as the IBA, and to give them reasonable time to prepare their cases, will mean that the case will not come back to court before the latter part of next week.

Rank had given the IBA until 10.00 am on Monday to reconsider its decision that its takeover of Granada, and with it Granada Television, would be "unacceptable" because it would involve a change of ownership of a viable ITV franchise.

When the deadline passed without a change of heart by the IBA, Rank instructed its lawyers to start proceedings for a judicial review of the decision.

Yesterday Mr Anthony Grabiner, QC for Rank, told tha court that the IBA had a policy of saying "no" in cases where a change of control of an ITV company was involved.

Rank contended that that policy bad no relation to the IBA's statutory duties. Tha only circumstances in which the IBA was entitled to say no were prescribed in the act and the IBA's policy was inconsistent with its legal duties.

The IBA had failed to give Rank any opportunity to discuss the matter with the Authority, although Rank had intimated a willingness to be completely flexible abont the way in which it would manage Granada Television.

Mr Grabiner said that for a number of years Rank had had a 37 per cent interest in Southern Television, a former franchisee, without the IBA objecting.

"Rank was apparently good enough then but not good enough now," he remarked.

The decision under challenge refused Rank permission to exercise voting rights in respect of shares constituting more than 5 per cent of Granada Group's issued voting shares.

Blagden below City forecast and shares slip

PRE-TAX profits of £4.16m, against £2.97m, on turnover of £119.87m for Blagden Industries were well down on City expectations of between £6m and £6.5m for the year to December 29 1985. The shares fell 15p on the dav to close at 114p.

The figures for this maker of steel drums and plastic products were boosted by the acquisitioo of the European steel drum-making activities of City Investing of New York. Turnover, which rose by £47.49m, included £40.9m from the acquisitions which contributed £3.29m to operating profits of £6.09m (£3.51m).

Earnings per sbare, on capital increased by the purchase, fell from 14.7p to 8p. As last year the company is paying a second interim dividend of 3.7p to make a total for the year of 7.2p.

Mr Ronald Sparrow, chairman, reports the performance of the newly-acquired businesses was broadly in line with expectations, but the UK operations were disappointing.

● comment

No doubt there's many a good tune played on an old steel drum but the music being played by Blagden Industries at present is anything but pleasing to the ear. Last year a cunningly structured rights plus tender offer saw the group's main shareholder being bought out and the acquisition of a major European steel drum business. Too clever by half perhaps. For in spite of the issue being beavily oversubscribed, Blagden is left with capital gearing a little short of 50 per cent. At the same time its UK core is beset by £1m losses on injection moulding and competition from drum renovating "cowboys." While it is easy to blame others, the reality is that Blagden came in almost £2m below expectations and has still not bitten the bullet over plastics. The sbares lost 15p to 114p yesterday; happy is the jobber who did not join in the rush to buy ahead of the results. The yield of 9 per cent remains the main attraction.

BPP Holdings joining USM

The growth industry of training accountants and other professionals in the world of finance has spawned another USM newcomer in the form of BPP Holdings.

The company said yesterday that it would be coming to the market through a placing of 850,000 shares at 160p by its broker, Grieveson Grant. Its market capitalisation at the placing price will be £4.44m.

Its two areas of activity are publishing study texts for accountancy and other financially-orientated examinations and providing accountancy tuition courses at its London training centre.

At the pre-tax level BPP has recovered from losses of £4,600 in the year to December 1981 to profits of £155,000 in 1985.

Over the same period turnover bas grown from £890,000 to £2.2m, mostly through the rising contribution from pnblishing.

The flotation will raise £580,000 in new money for the company after expenses of £140,000.

Provident Financial up 22% at a record £24m

AN IMPROVEMENT of £3.5m in the second six months enabled the Bradford-based Provident Financial Group to lift its profits for the 1985 year from £19.41m to a record £23.72m pre-tax, an increase of 22 per cent.

The group's weekly-collected consumer credit companies produced more than three-quarters of the profits. An increase of some 10 per cent in the number of customers helped turnover in that business increase by 18 per cent.

Turnover for the year pushed ahead from £329.1m to £385.37m — the group is principally engaged in the provision of documentary, personal loan and other credit facilities for personal and domestic purposes.

Earnings emerged at 33.95p (23.73p) per 25p share and a final dividend of 9p (7p) raises the total by 2.5p to 13p net. A scrip issue on a one-for-five basis is also proposed. The directors are confident that they will be able to at least hold next year's dividend at the increased rate on the enlarged capital.

● comment

Given that Provident's figures were expected to sbow profits of £23m to £24m, yesterday's enthusiastic response by the market seems slightly bewildering. But the announcement highlighted two important features. First, after years of stagnation in the customer base, the number increased by a tenth. Possibly even more importent was the upsurge in the profits from non-credit activities—insurance and estate agency. Their contribution jumped from £1.7m to £4.8m—earnings which the analysts award higher marks for quality than the traditional lending. Both the newer activities and the core business will progress this year lifting profits to around £27m and dropping the earnings multiple to nnder 10 after the 42p rise to 400p. The rating allows little room for further appreciation in the price.

Unilever results

The Directors of Unilever announce the Companies' provisional results for the fourth quarter and for the year 1985, and their ordinary dividend proposals. The provisional profit and loss account shown below is an abridged version of the one which will appear in the Companies' full accounts to be published on 22nd April. The full accounts for Unilever N.V. and Unilever PLC have not yet been filed with the Commercial Registry in the Netherlands or the Registrar of Companies in the United Kingdom, and have not yet been reported on by the auditors.

UNILEVER COMBINED RESULTS ON AN HISTORICAL COST BASIS (£ million)

Fourth Quarter 1985	Fourth Quarter 1984	Increase/ (Decrease)		Full Year (Closing Rates) 1985	Full Year (Closing Rates) 1984	Increase/(Decrease) Closing Rates	Increase/(Decrease) Comparable Rates
4,585	4,265	8%	TURNOVER	16,749	16,172	4%	13%
312	211	48%	*OPERATING PROFIT*	950	930	2%	16%
15	21		Share of associated companies' profit before taxation	57	62		
.3	2		Other income from fixed investments	18	8		
42	38		Other interest receivable and similar income	122	111		
(50)	(58)		Interest payable and similar charges	(193)	(186)		
322	214	50%	PROFIT BEFORE TAXATION	954	925	3%	16%
(120)	(96)		Taxation on profit of the year	(394)	(414)		
—	23		Taxation adjustments previous years	(2)	26		
(7)	(8)		Outside interests	(39)	(34)		
			Profit attributable to shareholders				
195	133	47%	—Fourth quarter				
			—Year at closing rates	519	503	3%	15%
(26)			Difference on translation of fourth quarter 1985 results at closing rates of exchange				
169	133	27%	PROFIT ATTRIBUTABLE TO SHAREHOLDERS	519	503	3%	15%
45.27p	35.53p	27%	Combined earnings per share — per 25p of ordinary capital	138.77p	134.33p	3%	15%
—	(86)		Extraordinary items	—	(26)		
169	47		Profit after extraordinary items attributable to shareholders	519	477		
			Preference dividends	(4)	(4)		
			Dividends on ordinary capital	(179)	(165)		
			PROFIT OF THE YEAR RETAINED	336	308		

Exchange Rates The results for the quarter and the comparative figures for 1984 have been translated at comparable rates of exchange. These are based on £1=Fl.4.13=U.S.$1.16, which were the closing rates of 1984. An exception has been made for the results which have arisen in hyper-inflationary economies, which for the current quarter have been translated at the closing rates for 1985. The profit attributable to shareholders for the current quarter has also been translated at the closing rates for 1985 being based on £1=Fl.4.00= U.S.$1.45, which will be used for the Annual Accounts 1985.

Tha results and earnings per share for the full year 1985 have been translated at the closing rates for 1985. The 1984 figures for the full year are based on the closing rates for 1984. The trends are therefore influenced by the changes in exchange rates during the year. For comparison purposes the trends have also been shown based on comparable rates of exchange.

RESULTS FOURTH QUARTER 1985

This was an excellent quarter. At comparable rates of axchange the value of sales was 8% higher than in the corresponding quarter of 1984 and operating profit increased by 48%.

In Europe operating profit more than doubled. Edible fats had a good quarter. Food and drinks and speciality chemicals also made substantial contributions to the *improvement.*

In North America operating profit went up by 34% and volume by 15%. Lipton finished tha year very strongly.

In tha rest of the world operating profit increased by 15%. Our newly acquired businesses, including tea estates, contributed to this improvement.

The proceeds of disposals favourably influenced net interest costs.

FULL YEAR 1985

Considering the full year 1985 at comparable rates of exchange, tha total value of sales increased by 13% and operating profit improved by 16%. Profit attributable rose by 15%.

In Europe we made significant progress with operating profit up by 28% including a good contribution from Brooke Bond. All product groups contributed to the improvement.

In North America we continued to gain volume against fierce competition. The necessary heavy investment both in new products and in tha defence of our established brands caused operating profit to be some 30% down on last year. Much of the investment occurred in Lever Brothers. Voluma in detergents grew by 15%, resulting in significant improvements in our market shares. Lipton once again improved both sales and profit. National Starch made satisfactory progress.

In tha rest of the world we made progress over last year with sales up by 23% and operating profit by 29%.

The severe impact of exchange rate movements in 1985 is clearly shown in our results at closing rates. On this basis profit attributable was up 3% in sterling, and in guilders there was virtually no change. The strengthening of most European currencies against the dollar is reflected in an increase of 29% in this currency.

EXTRAORDINARY ITEMS 1984

Tha results for tha fourth quarter 1984 contained an extraordinary charge of £86 million for losses arising, and provisions for estimated losses less surpluses, consequent on the decision to withdraw from certain activities.

We have made good progress towards realising the disposal of the businesses concerned and are satisfied that the provision made in 1984 is adequate.

The extraordinary items for the full year 1984 were the fourth quarter charge noted in the previous paragraph *less the £60 million deferred taxation credit reported in* the third quarter 1984 following the reductions in rates of corporation tax legislated in the United Kingdom Finance Act 1984.

The extraordinary items were not included in tha calculations of combined earnings per share.

THE EFFECT OF BROOKE BOND GROUP'S FOURTH QUARTER 1984 ON THE 1985 RESULTS

Unilever acquired control of the Brooke Bond Group plc in October 1984. Sales and operating profit of the Brooke Bond Group for the fourth quarter 1984, £288 million and £17 million respectively, the latter after deducting the finance costs incurred in 1984 by reason of the acquisition, were taken up in Unilever's results for the *first* quarter 1985.

REVIEW OF THE YEAR

Helped by an outstanding fourth quarter Unilever achieved good results in 1985, to which most parts of tha business contributed.

In Europe our programme for strengthening our competitive position is bearing fruit. In the United States our planned investment, especially in detergents, though it has reduced results in the year, met with considerable success. Elsewhere we made good progress. Brooke Bond made a significant contribution.

Exchange rate developments depressed our results in sterling and guilders.

DIVIDENDS

Tha Boards today resolved to recommend to the Annual General Meetings to be held on 14th May, 1986 the declaration of final dividends in respect of 1985 on the Ordinary capitals at the following rates which are equivalent in valua at the rate of exchange on 31st December, 1985 in terms of the Equalisation Agreement between tha two companies:-

PLC 26.67p per 25p Ordinary share (1984: 24.03p), bringing the total of PLC's dividend for 1985 to 38.24p per share (1984: 35.52p).

N.V. Fl.10.16 per Fl.20 Ordinary capital (1984: Fl.9.45), bringing tha total of N.V.'s dividend for 1985 to Fl.14.82 per Fl.20 Ordinary capital (1984: Fl.14.11).

The PLC final dividend will be paid on 28th May, 1986 to shareholders registered on 29th April, 1986.

The N.V. final dividand will be payable as from 27th May, 1986.

For the purpose of equalising dividends under the Equalisation Agreement, Advance Corporation Tax ("A.C.T.") in respect of any dividend paid by PLC has to be treated as part of the dividend. PLC's 1985 *final* dividend now announced has been calculated by reference to the current rate of ACT (3/7ths); if the effective rate applicable to payment of the dividend is different the amount will be adjusted accordingly and a further announcement made.

UNILEVER REPORT AND ACCOUNTS 1985 AND RESULTS FOR THE FIRST QUARTER 1986

The Report and Accounts for 1985, which will also include current cost accounts, will be published on 22nd April.

The results of the first quarter 1986 will be announced on Monday, 12th May, 1986.

4th March, 1986

FT COMMERCIAL LAW REPORTS

Share exchange is disposal of assets

WESTCOTT (HM INSPECTOR OF TAXES) v WOOLCOMBERS LTD

Chancery Division: Mr Justice Hoffmann: February 25 1986

WHERE A parent company transfers an asset to its subsidiary in exchange for shares, and the subsidiary then sells it to another subsidiary, each transaction is a "disposal" by one member of the group to another so that, for corporation tax purposes, allowable loss or chargeable gain on disposal is assessed on the basis that each subsidiary gave a consideration equal to the price paid for the asset by the parent company.

Mr Justice Hoffmann so held when dismissing an appeal by the Inland Revenue from a decision of General Commissioners that disposal by subsidiary company Woolcombers Ltd of an asset bought from another company in the same group, gave rise to an allowable loss for corporation tax purposes.

Paragraph 2 (1) of Schedule 13 to the Finance Act 1965 provides: "... where a member of a group of companies disposes of an asset to another member of the group, both members shall ... be treated ... as if the asset were acquired for a consideration of such amount as would secure that on the other's disposal neither a gain nor a loss would accrue to that other ..."

Paragraph 4 (2) of Schedule 7 to the Act: "... reorganisation ... of a company's share capital shall not be treated as involving any disposal of the original shares ... and the new holding ... shall be treated as the same asset."

Paragraph 6 (1) of Schedule 7: "... where a company issues shares ... to a person in exchange for shares in ... another company, paragraph 4 above shall apply with any necessary adaptations. ... (2) This paragraph shall apply where the company issuing the shares ... will have control in the other company."

HIS LORDSHIP said that in 1965 the parent company acquired the issued share capital of three companies for £1,270,380. It transferred the shares to a subsidiary, Topmakers, in exchange for an allotment of shares. Topmakers sold the shares in the three companies to Woolcombers, another subsidiary, for £601,235.

In January 1972 the three companies were wound up. The market value of assets received by Woolcombers in the liquidation was £601,236.

The question was whether the transaction gave rise to an allowable loss available to Woolcombers for corporation tax purposes.

Chargeable gains or allowable losses ordinarily accrued to a company on its disposal of an asset. The computation involved deducting the value of the consideration given for the asset from the consideration received for disposal of the same asset.

Liquidation of the three companies was deemed to have been a disposal by Woolcombers of the shares in consideration of an amount equal to the proceeds of liquidation, namely £601,235.

The dispute concerned the amount of consideration for which Woolcombers was deemed to have acquired the shares from Topmakers.

Having regard to paragraph 2 (1) of Schedule 13 to the Finance Act 1965, the General Commissioners found that the transfers from the parent company to Topmakers and from Topmakers to Woolcombers, were each disposals by one member of the group to another, so that each acquiring company must be deemed to have given the same consideration as that originally paid by the parent company.

Woolcombers was therefore deemed to have acquired the shares for £1,270,380, and the liquidation gave rise to an allowable loss of the difference between that figure and £601,235.

The Revenue attacked that reasoning. It said that paragraph 2 (1) of Schedule 13 had no application in that there was no "disposal" of the shares in the three companies by the parent company to Topmakers.

That submission was based on two provisions in the capital gains tax legislation, paragraph 4 (2) of Schedule 7 to the Finance Act 1965 and paragraph 6 (1) of the same Schedule.

Paragraph 6 (2) limited application of the latter provision to two cases, one of which was when the company issuing the shares had or would have control of the other. As Topmakers acquired the entire issued share capital of the three companies, that condition was satisfied.

The result, said the Revenue, was that the parent company must be treated as not having disposed of the shares in the three companies or having acquired the shares in Topmakers. Woolcombers had made neither a profit nor a loss.

Mr Park, for Woolcombers, said that on their true construction paragraphs 6 (1) and 4 (2) applied only for the purpose of computing the parent company's tax liability consequent on the exchange of shares. For all other purposes the transaction remained what in truth it was—a disposal of the shares in the three companies by the parent company to Topmakers.

Paragraph 6 applied the rules for a single-company share exchange contained in paragraph 4 (2) to a two-company share exchange "with any necessary adaptations." What adaptations were necessary?

There are two limbs to paragraph 4 (2). The first said that reorganisation should not be treated as involving disposal of the original shares or acquisition of the new holding. The second said that the original shares and the new holding should be treated as the same asset.

The purpose of the paragraph was to assimilate successive ownerships of different assets by the same person but not simultaneous ownerships of different assets by different persons.

Mr McCall, for the Revenue, recognised that it would be absurd to treat the shares in the three companies held after the exchange by Topmakers as the same asset as the shares in Topmakers held by the parent company.

But he said the only adaptation necessary to avoid the absurdity was to construe the second limb of paragraph 4 (2) as not applying to the shares in the three companies in the hands of Topmakers.

One could not distinguish between the two limbs of paragraph 4 (2) in that way. They were part of a single tax hypothesis directed in the cases of both paragraph 4 and paragraph 6 solely to the tax consequences of an exchange by one person of one holding of shares for another which had been issued either by the same company or a different company.

It required that person to be taxed as if he had continued to own the same asset.

Since that assumption plainly could not apply to the company which had acquired the original shares, the assumption that there was no disposal or acquisition could not have been intended to apply to that company either.

The "necessary adaptations" required by paragraph 6 meant that its effect must be limited to the tax consequences of the transaction for the person who had exchanged holdings.

There was no reason or logic in applying it to the person who had acquired the original shares and subjecting him to the inelegant hypothesis of having made an acquisition without a disposal.

That construction was supported by Dicta by the Court of Appeal in *Floor v Davis [1978] 52 TC 609*.

There Sir John Pennycuick said that "where paragraphs 4 (2) and 6 (2) provide that the share transaction is not to be treated as involving a disposal that expression clearly denotes a disposal giving rise to a charge of tax. It is not suggested that the transaction is to be disregarded in the sense that the acquiring company is to be treated as a mere emanation of the other company."

His second sentence seemed to make the point that the paragraphs were not concerned with simultaneous ownership of different assets by different persons. The first sentence confined the effect of the paragraphs to the person who successively owned the two different share holdings, since on a disposal it was only he that could incur a charge to tax.

Lord Justice Buckley was even more explicit. He said that paragraphs 4 (2) and 6 (1) "provide that a disposal of assets to which they apply shall not for the purposes of a charge to tax be treated as a disposal. This does not mean that such a disposal is not a disposal ... but that ... it shall not be taxed as such."

That again suggested that the paragraphs *only* affected the position of the person who would otherwise incur a charge to tax as a result of the transaction.

The policy of paragraph 2 (1) of Schedule 13 was to recognise that in the case of transactions between members of a group of companies the legal theory that each company was a separate entity did not accord with economic reality.

Paragraph 4 (2) also favoured economic reality over the legal theory that every share in a company was a separate asset. All the provisions with which the case was concerned were directed to neutralising the tax effects, which were disposals in legal theory but not in real life.

It would be strange if in the combination of those provisions was to give tax significance to a transaction (the acquisition of the shares in the three companies by Topmakers from the parent company) which it was the policy of each of them separately to ignore.

The appeal was dismissed.

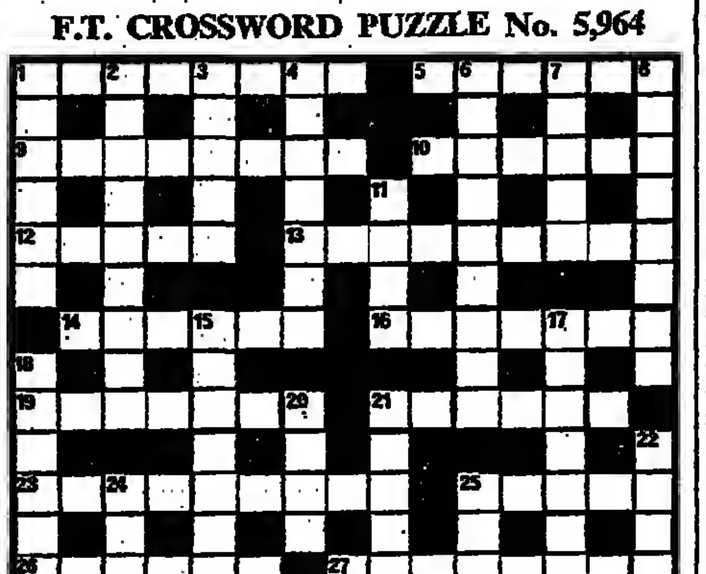
For the Revenue: Christopher McCall (Inland Revenue solicitor).

For Woolcombers: Andrew Park (Herbert Smith & Co).

By Rachel Davies
Barrister

THESE REPORTS, together with full texts of judgments, are published in monthly volumes. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Phone 01-831 0391.

F.T. CROSSWORD PUZZLE No. 5,964



ACROSS

1 A mere lad having the makings of a poet (2, 2, 4)
5 Reliable night-fliers backed by the French (6)
9 Males score in intellect (8)
10 *Speak about a point and* elaborate (6)
12 Awfully terse, so put in a different position (5)
13 A company—one a large number left (9)
14 Harm caused by for example a quite unreasonable backer (6)
16 A relative moves over (7)
19 Assistant wanting article improved (7)
21 To do with a kind of holiday centre (6)
23 Transport for the patient traveller (9)
25 A singer's alternative to a certain number (5)
26 Short bar put straight (6)
27 Having to walk by a set of good books appears harsh (9)
28 Childish complaint as a result of the endless hustle (6)
29 Well-organised director — one's obligated to him (8)

DOWN

1 Modest letter about strange upbringing (6)
2 A painting of the country's head (9)
3 Some may soon become antiquated, it's implied (5)
4 Note left—still free (7)
6 Thot exhausted feeling of new residents (9)
7 Keeping a supporter in mind (5)
8 The egghead people ring when making changes (8)
11 Many a fool gets service (4)
15 Animals need neat shipshape runs (9)
17 Most foreign streets are out of line (9)
18 Bill turned up with a seaman to work—such a comedown (8)
20 The money's right as well! (4)
21 Engineers record this and go in again (2-5)
22 Value credit-entry in the depression (6)
24 With reduced cover, stop and about-turn (5)
25 Tired out, but made en effort (5)

Solution to puzzle No 5,963

APPOINTMENTS

Senior posts at BP

Mr Ian G. S. Hartigan is to become president of BP North America Inc, New York, in place of **Mr J. C. E. Webster. Mr Hartigan** is currently the managing director of BP Shipping.

Mr Roy Chase is to become group treasurer and chief executive of BP Finance International, London, in place of **Mr E. J. P. Browne. Mr Chase** is currently assistant general manager, gas development (UK). These changes follow the appointment of *Mr Webster and Mr Browne* to The Standard Oil Company in the US, a majority-owned subsidiary of BP where top executive changes were announced last week (Financial Times, February 28).

★

Mr Roy Thomas, finance director of Fisons, has been appointed a non-executive director of BESTOBELL. **Mr Gordon A. Lovett** joins Bestobell's controls and instrumentation group as managing director. His responsibilities include Bestobell Mobrey and the newly-amalgamated Bestobell Sparling and Bestobell Meterflow. He was managing director of Evershed & Vignoles, a defence products manufacturer in the Bestobell Group.

★

KLEENEZE HOLDINGS has appointed a new managing director for its direct retailing division, Kleeneze Shopping at Home. He is **Mr Ken Sellers**.

★

Mr Jim Summers is the new regional operations menager for SCOTRAIL. He succeeds **Mr Viv Chadwick** who has been appointed deputy general manager, ScotRail. Mr Summers was deputy regional operations manager.

★

Mr Alan Thompson has been appointed chief executive for APCEL, e Slough-based, biotechnology joint venture between Celltech and Air Products. He succeeds **Mr Brian Street** who has worked as chief executive for Apcel since the company was formed in November 1984. Mr Street resumes his role as chairman of Air Products. Mr Thompson previously worked for Janssen Pharmaceuticals as general manager.

★

BRITISH STEAM SPECIALTIES has appointed **Mr Roy D. *Thompson*** *as an executive* director. He will remain group secretary.

★

Mr Christopher Heath and **Mr Richard Onians** have joined the board of BARING BROTHERS & CO. Mr Heath is menaging director of Baring Far East Securities and Mr Onians is managing director of Baring Brothers Hambrecht & Quist. Appointed assistant directors are **Mr Ian Cooper**, ***Mr Christopher Steane, Mr Richard*** **Orders and Mr John Verulam.**

★

Mr Hugh Stewart has been appointed e nnn-executive director of LLOYD INTERNATIONAL. He is an investment manager at Electra Investment Trust.

★

Mr John T. Davey has been appointed non-executive chairman of LEE INTERNATIONAL. He is also chairman of *Humphries Holdings*, e wholly-owned subsidiary of Lee International, an executive director of BET and a director of Thamas Television, and Wembley Stadium. **Mr Colin S. Wills** bas been appointed a non-executive director of Lee International. He is managing director of Humpbries Holdings. He is a director of BET Leisure Holdings, A-R Television, Thames Television and Rediffusion.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

BNP Inv Mgmnt (Jersey) Ltd
PO Box 158, St Helier Jersey 0534 76011

Julius Baer Bank & Trust Co Ltd
Butterfield House, Grand Cayman

Bamford Brandt Guernsey Mngt. Ltd
PO Box 71, St Peter Port, Guernsey 0481 26541

The Bangkok Fund
300 Silom Road, Bangkok, Thailand

Bank of America International SA
35 Boulevard Royal, Luxembourg GD

Barclays Unicorn International
1 Charing Cross, St Helier, Jersey 0534 73741

The English Trust Group
16 Athol St, Douglas, Isle of Man 0624 20739

Equity & Law International Fund Mgs Ltd
Victory H'se, Prospect Hill, Douglas, IoM 0624 77877

Equity & Law International Life Assur Co Ltd
Victory Hse, Prospect Hill, Douglas, IoM 0624 77877

Ermitage Management Ltd
19 Royal Square, St Helier, Jersey, CI 0534 36007

Ermitage Management Cayman Ltd
PO Box 2192, Grand Cayman BWI

Eurolife Assurance Group
5-11 Mortimer St, London W1N 7RH 01-631 0770

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

Tyndall & Co
29-33 Princess Victoria St, Bristol 0272 732241

Demand Acc	12.35	9.23	13.66	Qtr
Money Acc	12.04	9.00	13.29	Qtr

J. Henry Schroder Wagg & Co Ltd
Enterprise House, Portsmouth 0705 827733

Special Acc	11.50	8.60	12.79	Mth
Over £10,000	11.75	8.78	13.08	Mth

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 5E 0752 24141

High Int Chq Acc	12.56	9.39	13.90	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. @ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Metal Closures	14
BOC Grp.	27	Midland Bk	35
BSR	8	NEI	10
BTR	33	Nat West Bk	55
Babcock	13	P & O Dfd	35
Barclays	33	Plessey	14
Beecham	30	Polly Peck	21
Blue Circle	50	Racal Elect	15
Boots	24	RHM	12
Bowaters	30	Rank Org Ord	35
Brit Aerospace	32	Reed Intnl	60
Brit Telecom	17	Sears	11
Brown (J)	3½	TI	35
Burton Ord	45	Tesco	24
Cadburys	13	Thorn EMI	34
Charter Cons	10	Trust Houses	12
Comm Union	23	Turner Newall	9½
Courtaulds	13	Unilever	90
Distillers	36	Vickers	35
FNFC	12	**Property**	
Gen Accident	55	Brit Land	14
Gen Electric	14	Land Secs	26
Glaxo	180	MEPC	26
Grand Met	30	Peachey	24
GUS 'A'	70	Samuel Props	15
Guardian	60	**Oils**	
GKN	20	Brit Oil & Min	3½
Hanson Tst	18	Brit Petroleum	45
Hawker Sidd	36	Burmah Oil	27
ICI	42	Charterhall	4
'Imps'	16	Premier	5
Jaguar	27	Shell	55
Ladbroke	27	Tricentrol	18
Legal & Gen	60	Ultramar	18
Lex Service	24	**Mines**	
Lloyds Bank	35	Cons Gold	40
Lucas Inds	38	Lonrho	12
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Ministers kept in the dark about tin crisis

BY WALTER ELLIS

OFFICIALS at the Department of Trade and Industry were accused by a Commons Select Committee yesterday of refusing to keep ministers informed of the troubles of the international tin market both before and after the crisis broke last October.

Mr Peter Morrison, the Trade Minister, was asked repeatedly during a session of the committee on trade and how much British tax payers stood to lose as a result of the tin crisis. He did not answer and eventually admitted that only his officials possessed the necessary information.

Sir Peter Emery, Conservative MP for Honiton, immediately said the situation was unbelievable. Mr Morrison replied: "It certainly has proved to be unfortunate."

The committee then turned to Mr Michael Lunn, an assistant secretary at the department concerned with tin issues. Could he give the information required?

Mr Lunn said that the total sum of international indebtedness had been discussed by officials and the UK Government's possible losses had been assessed. Minister, however, had not been informed. The Tory member for Tiverton and one of the committee's most formidable interrogators, asked Mr Lunn why he Mr Robert Maxwell-Hyslop had not told ministers.

Mr Lunn replied: "The options for ministerial action to correct this situation were limited."

The committee's chairman, Mr Kenneth Warren, Tory MP for Hastings and Rye, intervened to say that if mistakes had been made, the committee would prefer to know about it. It appeared that large amounts of tax-payers' money was just swilling around and no one was talking about it.

Another ITC bank breaks ranks

BY STEFAN WAGSTYL

THE BANK of Nova Scotia, which is owed money by the International Tin Council, has broken ranks with its fellow bank creditors and sold the tin it held as security.

It is the third of the 16 banks owed money by the ITC to sell metal, after Banque Indosuez and Arab Banking Corporation which made disposals last month. News of the sale, which emerged yesterday, immediately increased the tension surrounding attempts to negotiate a settlement of the crisis.

The banks yesterday sent a message to the ITC repeating a deadline of midnight tonight on the rescue plans which involve setting up a new company to take over the tin Council's tin stockpile and sell it off to meet its debts.

One banker said that the atmosphere at a meeting of creditor banks yesterday was "very fraught." There are fears that bank tin sales could undermine efforts by the banks and London Metal Exchange brokers, who are together owed hundreds of millions of pounds, to maintain a united front in the rescue talks.

ITC delegates are very uncertain whether the council's 22 member governments will all back the deal by the end of today. One said that more time was needed for governments to consider the plan which had only been formally submitted in the shape of a memorandum of understanding about 10 days ago. Outstanding issues include raising the £115m which the governments are expected to contribute to the rescue alongside cash from the creditors, and the disposal programme.

So far the plan has the public support of the UK and of Australia though other members including Japan have also strongly indicated their backing. Malaysia, Indonesia, and Thailand, the biggest producers, have yet to commit themselves as do the European Community countries, bar the UK.

The Bank of Nova Scotia's sale of some 1,500 tonnes of metal takes to at least 3,000 tonnes, and perhaps to 5,500 tonnes the total tin sold by banks, according to brokers. The disposals have not depressed the free market price appreciably, with tin trading at between £6,400 and £6,500 a tonne yesterday.

Upturn in farmland values

By Richard Mooney

SIGNS OF a possible upturn in British farmland prices appeared yesterday with the publication of the latest set of sales data by the Ministry of Agriculture.

While the average price of vacant possession sales reported for the three months ended January was well down (£3,676 per hectare against £4,017 for the October/December quarter) the weighted average (which allows for size group and area variations) was up £194 at £4,394 per ha, and the land price index was up 10 points at 226 (1973=100).

The figures are only provisional, however, and could change as further sales in the period are reported.

● TEA prices at Monday's weekly London auction were generally unchanged to a little higher. Medium grade tea averaged 150p a kilo, up 4p from last week's sale, but the quality and low medium grades remained at 192p and 114p a kilo respectively. There were 32,337 packages on offer, including 2,400 in the offshore section.

● MILK production in England and Wales is on course to slightly exceed the EEC quota in the 1985-86 marketing year, according to the Milk Marketing Board. The cumulative total for the year, which ends at the end of this month, is still behind the quota rate but the gap is narrowing and current trends indicate that the quota may be exceeded by about one day's supply, the Board said. This could result in a "very small" EEC levy on over-quota producers, it added.

Untidy end to cocoa pact talks

BY WILLIAM DULLFORCE IN GENEVA

DECISIONS ON "possible future arrangements" to replace the International Cocoa Agreement will be taken before the end of July, producers and consumers said in a joint declaration yesterday at the end of the United Nations Cocoa Conference.

The conference, which failed to negotiate a new price-supporting agreement to replace the one due to expire at the end of September, ended untidily with producers trying to keep open the door for the extension of the existing agreement in some form.

Mr Rene Montes, the president of the conference, will hold consultations with producers and consumers at the meeting of the ICA executive committee in London on June 2. The UN conference will be recalled in Geneva on July 2

Efforts to negotiate a new agreement broke down last week when the Ivory Coast, the biggest producer, announced it would not take part and the European Economic Community, the biggest consumer, took the line that an agreement without the Ivory Coast would be meaningless.

The producers yesterday delayed the closing of the conference by trying to obtain changes to the wording of the declaration, that would not preclude some kind of new agreement with economic provisions being accepted between now and the end of September.

Consumers agreed to the insertion of the word "effective" in a sentence stating that the conference had not been able to ensure "sufficient participation to enable a new international cocoa agreement with effective economic provisions to be finalised."

Producers appeared to believe that this wording left the way open for "effective" provisions to be found by the end of July. This belief was described as "day dreaming" by a delegate from one consuming country.

In the consumers' view the "future arrangements" to be agreed on will be concerned primarily with ways of handling the 100,000-tonne buffer stock at the expiry of the existing agreement, so that it does not create a disorderly market.

It is highly probable that the producing countries will nevertheless return to London in June with proposals for some form of price-stabilising arrangement that would obviate the need for dismantling the buffer stock.

US studies Caribbean sugar plea

BY CANUTE JAMES IN KINGSTON

THE REAGAN Administration is studying proposals for an increase in US imports of sugar from Caribbean countries which are willing to import increased quantities of surplus US agricultural produce.

Mr Edward Seaga, Jamaica's Prime Minister and Finance Minister, said the plan was discussed last month by Caribbean leaders and President Ronald Reagan when they met in Grenada.

Mr Seaga's announcement follows several months of complaints from sugar exporters in the Commonwealth Caribbean, that import quota reductions imposed by the US will harm regional economies.

The sugar producers association of the Caribbean Economic Community said the group's US quota had been reduced from 134,420 tonnes for the 1984-85 period to 95,984 tonnes for 1985-86.

Mr Seaga said the US farm produce which the Caribbean countries intended to take in increased quantities included rice, maize and soyabeans.

"It would be a counter trade arrangement whereby they swap some of their surplus agricultural production for sugar," the Jamaican Prime Minister said.

He said that some points of the proposal still had to be clarified by both the Caribbean governments and the US Administration.

Caribbean leaders would be meeting shortly to discuss the plan, Mr Seaga said. He did not indicate a date for the meeting.

It was not clear whether the Caribbean proposal to President Reagan addressed the concerns of other sugar exporters in the region, such as the Dominican Republic, which has also said the reduced US import quotas would have an adverse effect on its sugar industry and its economy.

The English speaking Caribbean sugar exporters had made vain efforts to reduce the impact of the quota reductions by the US, joining other Caribbean and Central American producers in seeking higher, not lower quotas.

EEC hurdles for Spanish horticulture

IF THE benefits of EEC membership look decidedly mixed for Spanish farmers, that does not appear to have deterred those involved in one sector at least—horticulture—from investing and planning for a major expansion.

Production of a wide range of products, from vegetables to flowers, is on the increase, with considerable amounts being spent on extending plantings, putting production under glass or plastic and developing new varieties. Spain hopes to extract some Pta 70bn from Brussels for agriculture over the next three years, and tariffs against its products elsewhere in Europe are set to disappear gradually.

But horticulture, like other areas of Spain's agricultural industry, is faced with a daunting list of problems involving structure, climate, technique and management.

Nor is the 10-year transition period before most Spanish fruit and vegetables will be admitted to Community markets duty-free likely to lead to the sort of instant boom which farmers elsewhere in the EEC have been professing to fear.

Citrus fruit is the largest of Spain's horticultural exports. Sales abroad in 1984-85 exceeded 2m tonnes for the first time, inspite of an EEC tariff of 12 per cent against them compared with rates of only 8 and 4 per cent respectively against the two biggest rivals, Israel and Morocco. With plantings increasing, production in 1984 was a record 3.9m tonnes, although it dipped last year when a January frost destroyed 1m tonnes of fruit.

Spain is also putting a lot of effort into developing new strains, particularly its successful "easy-peelers" such as satsumas and clementines.

Other big Spanish horticultural products include:

Tomatoes, production of which last year exceeded 2m tonnes, including exports of 370,000 tonnes. Sales to Europe have been rising, output is virtually year-round, the industry is becoming more efficient and its impact within the EEC will harden as duties ranging from 5.5 per cent to 18 per cent, according to season, are phased out. The incentive to export is also there, as tomatoes bring in between two and three times as much money when they are sold abroad as at home.

Onions, with annual output of 1m tonnes, one fifth of them exported. Once again, constant availability is a plus point, the integration of production and marketing helps to ensure that supplies are tailored to buyers' requirements, and the eventual abolition of the 12 per cent duty will make them more competitive against British, French and other supplies.

Potatoes. About a third of the 250,000 tonnes Spain grows every year are exported. The production season is being lengthened by the adoption of varieties from other parts of the world and new cultural techniques; and the present EEC tariff on potatoes, ranging from 15 to 21 per cent, is among the highest.

Flowers are another Spanish export on the march. The area under cultivation, mainly of carnations, is today about 1,800 hectares, of which more than half is irrigated and sheltered with plastic. English traders estimate that the 22m stems of cut flowers which Spain exported to the UK in 1984/85 will have almost doubled by 1990, helped by the prospect of relief from EEC duty which now varies between 17 and 24 per cent and by an increase in total demand for flowers.

However, in most of these cases Spain will not be at any great advantage over the traditional EEC suppliers in North Africa and the Middle East—for which the Community has promised to preserve market access. Nor is it as though membership is opening doors that have hitherto been closed to Spain, which is already the largest source of farm exports to the Common Market after the US and Brazil.

The sector faces several serious obstacles in adjusting to life under the CAP.

The first of these is labour costs, which may not be able to resist the EEC's influence any more than British ones did after the country joined in 1973. In tomatoes, for instance, labour already represents 75 per cent of production costs. Some people in the industry believe that if Spanish farm wages were to rise from the Pta 300 an hour they now average to something more akin to British levels (£4.50-£5.00), Spanish produce would risk being priced out of markets.

Quality control is another area in which Spaniards admit to being less than fully-equipped for flexing horticultural muscles in the EEC. One criticism is that Spain is indiscriminate in the use of inorganic fertilisers and agrochemicals at a time when consumers are unprecedentedly sensitive to the dangers of residues in what they buy; and that enforcement of the rules is too lax. Reform will take time.

The lack of appropriate home-grown skills has long been recognised as a problem. Spaniards say that during the Franco years research and development in agriculture lagged, so that the country had to go abroad for expertise.

It is trying to catch up, to put more emphasis on the laboratory and less on the hoe, but funds are scarce and the process may take years. Some foreign experts see too large a gap between the best and the worst of Spanish horticulture and not enough seepage of knowledge from research institutes down to the people tilling the soil.

There are difficulties, too, with marketing structures: for example, in citrus, where the Government upset exporters by transferring promotional functions to an agency under the Commerce Secretary; or in flowers.

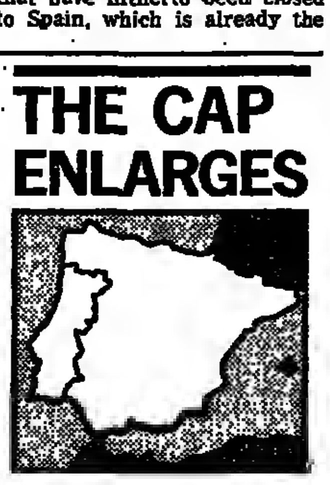
And a problem which afflicts Spain's horticulture as a whole, preventing further expansion and raising costs, is a shortage of water throughout the south and east. Spain is Europe's most irrigated country, with more than 3m hectares served, but the large increases in irrigated area sometimes predicted look unlikely to say the least.

Salinity has increased alarmingly, as too much has been pumped from subterranean supplies, and laws have lately been passed in some areas banning more irrigation. Tourism and agriculture are competing fiercely for what water there is, and the former seems to be winning.

The first article in this series appeared on February 26.

Continuing our series on the new EEC members a special correspondent assesses the prospects for Spain's fruit and vegetables industry

THE CAP ENLARGES



LONDON MARKETS

COCOA PRICES fell sharply on the London futures market as the delegates who have failed to negotiate a new price-supporting International Cocoa Agreement at their three-week session in Geneva packed up and went home. The May price dipped to within £1 of the 27-month low reached last week before ending the day £38 down on balance at £1,518.50 a tonne. Apart from depression about the failure of the Geneva talks dealers said the fall was influenced by a sharply lower New York tone, and firm sterling against the dollar. They also said there was talk that Brazil had sold more new crop supplies. In contrast the coffee futures market regained most of Monday's sharp decline, with the May position ending £95 up at £2,617.50 a tonne. Once again the movement was linked with the performance of the New York market. The London daily sugar price was fixed another $10 higher at $166 a tonne but futures values ended only marginally higher on the day.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	786-7	−5	785.5/785.5
3 months	812.5-5	−4.75	819/808

Official closing (am): Cash 785.6 (789.5-90); three months 810-1 (815.5-6); settlement 786 (790). Final Kerb close: 810-11. Turnover: 11,225 tonnes.

COPPER

Higher grade	Unofficial close	+ or −	High/low
Cash	969.5-70.5	−12.5	997.5/977
3 months	990.5-1	−12.5	1001/987

Official closing (am): Cash 977.5-8 (988-.5); three months 997-.5 (1,008-.5); settlement 978 (988.5). Final Kerb close: 983.5-4.

Cathodes			
Cash	958-60	−7.5	—
3 months	988-90	−7.5	—

Official closing (am): Cash 965-7 (976.5-7); three months 994-8 (1,006.5-7); settlement 967 (977). Turnover: 40,025 tonnes. US Producer prices 65.5-73 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	252-3	−2	255/253
3 months	262-2.5	−2	265/262

Official closing (am): Cash 253-.25 (256.5-7); three months 263-.5 (266-.5); settlement 253.25 (257). Final Kerb close: 262-3. Turnover: 3,950 tonnes. US Spot: 18-20 cents per pounds.

NICKEL

	Unofficial close (p.m.) £ per month	+ or −	High/low
Cash	2815-25	−22.5	2860/2850
3 months	2866-5	−25	2895/2870

Official closing (am): Cash 2,850.5 (2,835-40); three months 2,915-20 (2,710-11); settlement 2,855 (2,840). Final Kerb close: 2,870-80. Turnover: 2,154 tonnes.

TIN

Kuala Lumpur Tin Market — Close 20.81 ringgit per kg, up 5.15 ringgit.

ZINC

High grade	Unofficial close (p.m.) £ per month	+ or −	High/low
Cash	427.5-8.5	+2.5	443.5/441
3 months	440-1	+2	446/437

Official closing (am): Cash 428-9 (426-.5); three months 441-.5 (439.40); settlement 429 (426.5). Final Kerb close: 437-9. Turnover: 8,675 tonnes. US Prime Western: 30.5-35.75 cents per pound.

GOLD

Gold rose $1¼ an oz from Monday's close in the London bullion market yesterday to finish at $337-337½. The metal opened at $337¼-337¾ and touched a high of $339-339½ and a low of $336¼-337¼. The firmer trend was prompted by a fall in the value of the dollar although gold fell back during the afternoon in thin and nervous trading.

GOLD BULLION (fine ounce)	Mar. 4	
Close	$337-337½	(£231-231¼)
Opening	$337¼-337¾	(£231½-232¼)
M'n'g fix	$337.60	(£233.115)
Aft'n fix	$337.15	(£230.058)

GOLD AND PLATINUM COINS		
Kr'g'r'nd.	$539-339½	(£258-230¼)
½ Krug.	$179½-180	(£123¾-123¼)
¼ Krug.	$91½-92	(£62½-63)
1/10 Krug.	$37½-38	(£25¾-26)
Mapleleaf	$348-348½	(£238-238½)
Angel	$336¼-336¼	(£230-231½)
1/10 Angel	$33¾-35½	(£23-25½)
New Sov.	$81½-82	(£55½-56)
½ New Sov.	$48½-49	(£33¼-33½)
Old Sov.	$88½-88	(£58¾-60¼)
$20 Eagle	$440-480	(£301-328½)
Noble Plat	$408-415	(£279½-282½)

SILVER

Silver was fixed 8.75p an oz lower for spot delivery in the London bullion market yesterday at 384.45p. US cent equivalents of the fixing levels were: spot 555.7c, down 8.3c; three-month 567.15c, down 8.45c; six-month 577.25c, down 9.15c; and 12-month 599.35c, down 7.7c. The metal opened at 383¾-385p (554-556c) and closed at 378¾-380½p (553-555c).

SILVER per troy	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	384.45p	−8.75	380.5p	−3.5
3 months	396.00p	−8.50	391.5p	−4.5
6 months	408.75p	−8.35	—	—
12 months	421.65p	−8.20	—	—

LME—Turnover: 45 (48) lots of 10,000 oz.

Three months 395p, low 392p, final kerb 390-392p.

JUTE

JUTE—March/April 1986 c and f Dundee: BTC $420, BWC $420, BTD $360, BWD $360; c and f Antwerp: BTC $400, BWC $400, BTD $350, BWD $350.

RUBBER

PHYSICALS — The London market was slightly easier on stronger sterling but attracted little activity, reports Lewis and Peat. Closing prices (buyers): Spot 61.50p (63.00p); April 62.00p (63.00p); May 62.50p (63.50p). The Kuala Lumpur April fob prices (Malaysia/Singapore cents) per kg: RSS No. 1 was 205.0 (207.0) and for SMR 20 203.0 (204.0).

INDICES

FINANCIAL TIMES

Mar. 4	Mar. 5	M'th ago	Year ago
—*	—*	—*	605.14

(Base: July 1 1952=100)

REUTERS

Mar. 4	Mar. 3	M'th ago	Year ago
1632.2	1627.3	1844.5	2024.2

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Mar. 5	Feb. 28	Month ago	Year ago
Spot	127.75	127.55	—	117.12
Fut.	151.57	132.04	—	120.12

(Base: December 31 1931=100)

* Not available due to suspension of tin LME

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Mar. 4 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1240/260	+10	$1150/170
Copper			
Cash h Grade	£970	−12.5	£1011
3 mths	£990.75	−12.5	£1048.75
Gold Troy oz	$337.85	+1.25	$338.570
Lead Cash	£252.5	−2	£252
3 mths	£262.25	−2	£273.88
Nickel			
Free Mkt	187/207c	+6	175/195c
Palladium oz	$105.40	−1.85	$96.00
Platinum oz	$327.00	−1.50	$351.85
Quicksilver ‡	$230 240		$220/250
Silver troy oz	384.43p	−8.75	426.90p
3 months	396.00p	−8.80	436.55p
Tin cash			
3 months			
Tungsten	$62.78	−3.54	$65.71
Wolfram 22.0lb	$56.53		$56.53
Zinc	£428	+2.5	£450.5
3 months	£440.5	+2	£462.88
producers	$650/670		$660/700
OILS			
Coconut (Phil)	$235z	−25	$360
Palm Malayan	$242.5v		$310
SEEDS			
Copra Phil	$180z		$230
Soyabean (U.S.)	$220.25v	−0.75	$222.5
GRAINS			
Barley Fut. May	£117.00	+0.50	£117.56
Maize	£143.50		£143.00
Wheat Fut. May	£118.30	−0.10	£120.45
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1518.5	−38	£1714.5
Coffee Ft. May	£2617.5	+95	£2247.5
Cotton A Index	53.85c	−0.1	54.15c
Gas Oil Apr.	$138.25	+4.5	$155.5
Rubber (kilo)	61.5p	−1.5	66p
Sugar (raw)	$166.5z	+10.5	$150
Wooltops 64s	416p kilo		428p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. v May. y April-May. z March-April. x April.

MEAT

Beef prices rallied sharply with fresh buying triggering stop-loss buying, reports Eastern Capital-CCST.

Month	PIGMEAT Y'day close	+ or −	BEEF Y'day close	+ or −
	p. per kilo (deadweight)			
Mar.	—	—	—	—
April	104.00	−0.90	193.60	+4.10
May	102.50	−0.50	188.50	+1.00
June	102.65	—	101.00	+6.00
July	100.50	+1.50	186.00	—
Aug	151.20	−0.10	185.00	+9.00

Pigmeat sales: 35 (28) lots of 50 carcases, 3,250 kg.

Beef sales: 85 (25) lots of 20 sides.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.72p per kg lw (+0.29); GB—Sheep 213.50p per kg est dcw (+12.49); GB—Pigs 77.80p per kg lw (+2.83).

COCOA

After failing to make the higher levels due, futures eased sharply and traded through the limit-down level. Producers were reluctant to re-enter the market whilst consumers made light scale-down purchases only, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or −	Business Done
March	1523-1536	−55.0	1564-1521
May	1518-1510	−38.0	1560-1516
July	1543-1549	−38.5	1582-154
Sept.	1570-1574	−41.5	1615-156
Dec.	1601-1602	−37.3	1655-159
March	1630-1631	−35.0	1665-1621
May	1650-1653	−34.5	1675-165

Sales: 10,492 (1,150) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for March 4: 96.57 (97.53); five-day average for March 5: 97.58 (99.16).

COFFEE

The market moved steadily higher against a total lack of selling. Monday's liquidation forced out the weaker long holders and yesterday's movement appears to have corrected this downside move. Light physical offtake in the morning helped to steady levels, reports Drexel Burnham Lambert.

COFFEE	Yesterday's Close	+ or −	Business Done
March	2520-25	+72.5	2528-2555
May	2615-25	+95.0	2619-2465
July	2690-00	+98.5	2705-2555
Sept.	2760-65	+107.5	2775-2605
Nov.	2780-90	+65.0	2795-2620
Jan	2800-20	+60.5	2779-2720
Mar.	2830-00	+85.5	—

Sales: 8,553 (8,140) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for March 3: Comp. daily 1979 198.82 (207.29); 15-day average 198.63 (199.18).

FREIGHT FUTURES

Dry cargo rates came under pressure in the morning, but support had emerged by the close. Despite an improvement in Gulf/ARA (Amsterdam—Rotterdam—Antwerp) business, the market's confidence has been eroded through declining Far East rates.

	Close	High/Low	Prev.
	Dry Cargo		
April	853/836	856/831	836/830
July	740/746	746/741	746/747
Oct.	845/852	852	850/860
Jan.	860/865	866/862	865/863
April	837/945	—	940/943
July	765/810	—	760/810
Oct.	890/908	—	890/908
Jan.	870/940	—	910/960
BFI	763		734

Turnover: 89 (95).

	Close	High/Low	Prev.
	Tankers		
Mar.	828.5/826	865	815/830
April	780/790	790	790/725
May	780/810	800	785/810
June	760/830	—	750/800
Sept.	910/1000	—	900/960
Dec.	825/1000	—	965/995
BTI	878		871

Turnover: 70 (47).

SOYABEAN MEAL

Prices dropped 50p on stronger currency but good commercial support was noted at the lower end of the range. Good professional spreading was also noted in an otherwise quiet market, reports Muirpace.

	Yesterday close £ per tonne	+ or −	Business Done
Apr.	154.5-155.5	+0.50	155.5-155.0
June	151.5-151.8	−0.60	152.0-151.8
August	128.5-129.5	−0.55	128.0
October	150.8-151.2	+0.35	150.8
Dec.	134.2-134.8	+0.10	—
Feb.	154.0-135.8	+0.75	—
Apr.	154.5-156.5	+0.50	—

US MARKETS

PRECIOUS METALS recouped early losses to close higher on short-covering linked to an oversold condition and fresh trade demand in platinum, reports Heinold Commodities. Copper and aluminium traded sharply higher on reports of Japanese buying. Sugar attracted good support on interest in cash markets. Cocoa weakened on Brazilian producer sales. Coffee rallied sharply as roaster interest re-emerged. Cotton firmed on short-covering linked to mill price fixing. The energy complex remained steady on light bargain hunting buying. A Mexican buying tender along with slack farmer selling led to a firmer tone in the soyabean complex.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
March	55.65	55.20	55.15	54.65
April	56.00	—	—	55.20
May	56.35	50.50	55.60	55.45
July	56.95	57.05	56.35	56.05
Sept	57.55	57.45	57.45	56.65
Dec	58.45	58.55	56.55	57.55
Jan	55.75	—	—	57.86
March	59.35	—	—	58.45
May	59.55	—	—	59.05
July	60.55	—	—	59.65

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	1960	1980	1945	2012
May	2002	2035	1993	2049
July	2042	2070	2038	2091
Sept	2075	2106	2069	2116
Dec	2100	2127	2096	2135
March	2125	2145	2135	2180
May	2131	—	—	2166

COFFEE "C" 37,500 lbs; cents/lbs

	Latest	High	Low	Prev
March	251.08	251.90	230.60	233.44
May	253.90	254.00	235.60	236.78
July	251.43	251.43	243.43	247.43
Sept	255.00	255.00	247.00	251.00
Dec	256.97	256.00	248.97	252.87
March	256.50	254.50	252.00	252.50
May	257.60	256.50	255.50	253.50
July	259.75	—	—	255.75

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
March	64.50	64.46	62.80	63.25
April	64.80	64.05	63.10	63.85
May	65.35	65.40	63.60	64.10
July	65.60	65.85	64.25	64.65
Sept	60.15	60.15	64.75	65.00
Dec	66.65	66.60	65.30	65.55
Jan	60.80	—	—	65.75
March	67.15	66.45	66.45	66.10
May	67.50	—	—	66.45
July	67.86	—	—	66.90

COTTON 50,000 lbs, cents/lbs

	Close	High	Low	Prev
March	62.70	62.75	62.35	62.37
May	63.56	63.70	52.91	63.10
July	64.02	64.18	63.60	63.68
Oct	44.88	45.02	44.55	44.52
Dec	44.95	44.96	44.56	44.59
March	45.82	—	—	45.62
May	46.70	46.45	46.40	46.27
July	47.00	—	—	46.62

CRUDE OIL (LIGHT) 42,000 US gallons; $/barrels

	Close	High	Low	Prev
April	12.27	12.60	12.15	12.27
May	12.56	13.10	12.40	12.65
June	12.80	13.50	12.70	12.86
July	12.87	13.60	12.80	13.17
Aug	13.15	13.80	13.15	13.42
Sept	13.30	13.70	13.30	13.67
Oct	13.60	14.00	13.55	13.82
Nov	14.00	14.00	14.00	14.17
Dec	14.06	14.85	14.10	14.45
Jan	14.40	14.80	14.40	14.50

HEATING OIL 42,000 US gallons; cents/US gallons

	Latest	High	Low	Prev
April	42.40	43.51	42.10	41.72
May	38.75	00.25	38.60	39.42
June	37.80	39.25	37.70	38.33
July	38.06	38.70	37.69	37.74
Aug	38.60	39.00	38.60	38.40
Sept	38.60	40.10	39.40	39.32
Oct	40.60	41.00	—	40.15
Nov	41.50	41.90	41.60	41.00
Dec	42.25	42.80	42.16	41.75

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	High	Low	Prev
March	84.50	84.50	82.00	81.80
May	84.50	84.00	82.70	82.86
July	85.05	85.15	83.70	83.80
Sept	83.75	84.25	83.50	83.05
Nov	84.65	84.60	84.50	83.65
Jan	85.60	85.60	85.40	85.00
March	86.15	86.15	86.00	86.10
May	86.40	86.50	86.50	86.30
July	86.75	86.40	86.20	86.70

SPOT PRICES—Chicago loose lard 12.00 (13.00) cents per pound. New York tin 450-515 cents per pound. Handy and Harman silver bullion 557.0 (550.5) cents per troy ounce.

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
March	344.2	—	—	338.5
April	346.0	347.0	338.3	340.5
May	347.8	—	—	340.6
June	349.6	350.0	341.9	344.2
August	353.4	353.5	345.8	348.0
Oct	357.1	357.0	349.6	351.6
Dec	361.1	362.0	353.2	355.5
Feb	365.1	—	—	360.0
April	368.8	362.5	362.0	363.8
June	372.7	—	—	367.8
August	376.8	371.6	371.5	372.0
Oct	381.1	375.4	375.0	376.4
Dec	385.6	—	—	381.0

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
March	406.0	—	—	398.7
April	408.0	408.9	394.5	401.0
July	409.5	411.0	396.0	402.5
Oct	416.5	412.0	398.0	403.5
Jan	411.6	410.0	400.0	405.2
April	413.0	403.6	402.0	406.9

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
March	563.2	563.0	552.0	559.8
April	566.8	561.5	561.5	563.3
May	570.6	571.5	559.0	567.5
July	577.8	579.0	567.0	574.3
Sept	595.0	586.0	574.0	581.6
Dec	595.7	595.5	585.0	592.7
Jan	599.5	—	—	596.5
March	606.8	608.0	596.0	603.9
May	614.3	610.0	603.5	611.5
July	621.9	615.5	612.0	616.2

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
May	6.94	6.96	6.82	6.89
July	7.13	7.20	7.06	7.05
Sept	7.22	7.30	7.22	7.16
Oct	7.31	7.42	7.28	7.27
Jan	7.40	7.40	7.00	7.39
March	7.78	7.87	7.76	7.76
May	7.92	8.00	7.91	7.58
July	6.05	8.16	6.00	8.15

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lbs

	Close	High	Low	Prev
April	60.82	61.25	59.75	60.27
June	59.87	60.25	59.05	59.47
Aug	57.87	59.40	67.45	57.72
Oct	56.80	57.25	56.55	50.65
Dec	58.75	59.00	58.10	58.25
Feb	59.05	59.05	59.30	59.50

LIVE HOGS 30,000 lbs, cents/lbs

	Close	High	Low	Prev
April	38.22	38.80	38.07	38.32
June	43.00	43.40	42.75	43.02
July	43.55	53.65	43.25	43.00
Aug	41.92	42.50	41.75	41.87
Oct	39.06	39.50	58.90	39.92
Dec	40.20	41.16	40.20	40.65
Feb	00.45	40.95	—	37.30
April	37.35	37.35	—	37.30
June	00.00	00.00	—	39.70

MAIZE 5,00 bu min, cents/56 lb bushel

	Close	High	Low	Prev
March	225.4	230.4	225.0	229.9
May	225.3	229.9	225.0	228.4
July	224.3	228.4	224.0	226.5
Sept	209.4	215.0	208.0	215.5
Dec	206.4	207.5	205.0	206.2
March	216.6	216.6	213.4	215.5
May	216.5	216.0	210.4	217.6

PORK BELLIES 38,000 lbs, cents/lbs

	Close	High	Low	Prev
March	53.62	55.00	53.60	54.22
May	56.57	57.05	55.50	56.55
July	56.65	57.90	56.57	57.57
Aug	55.56	56.60	55.55	56.80
Feb	59.90	60.70	59.90	60.60
March	59.90	60.20	59.95	60.15

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
March	532.4	533.2	527.0	525.5
May	534.4	535.6	528.6	527.6
July	537.2	538.5	531.4	530.4
Aug	533.4	535.0	529.0	528.5
Sept	514.6	516.4	513.0	512.5
Nov	509.9	511.2	507.2	507.8
Jan	520.4	520.4	511.4	517.6
March	530.4	530.4	527.4	527.5
May	538.4	—	—	537.9

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
March	161.9	162.0	158.3	159.4
May	162.7	162.8	159.3	160.3
July	163.1	163.3	159.8	160.8
Aug	162.6	162.6	159.5	160.9
Sept	156.1	156.8	155.3	155.7
Oct	151.7	151.7	150.5	151.6
Dec	153.2	153.4	151.5	153.0
Jan	154.5	154.0	152.5	154.0
March	155.7	—	—	155.0

SOYABEAN OIL 60,000 lbs, cents/lbs

	Close	High	Low	Prev
March	16.99	17.18	16.78	16.76
May	17.32	17.50	17.11	17.08
July	17.63	17.79	17.41	17.38
Aug	17.75	17.88	17.51	17.50
Sept	17.70	17.85	17.60	17.50
Oct	17.85	17.80	17.85	17.51
Dec	18.00	18.20	17.85	17.83
Jan	18.15	18.30	18.05	17.96
March	18.50	16.50	18.43	18.32
May	18.38	—	—	18.38

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
March	341.2	345.5	339.4	339.8
May	292.4	298.4	292.0	295.4
July	254.4	262.0	254.5	258.9
Sept	259.2	264.2	259.0	261.2
Dec	269.5	275.0	269.0	273.0
March	274.0	—	—	275.6

GRAINS

Old crops eased on early March retendering pressure, but rallied on commission house and shipper support. New crops encountered hedge selling and shipper short-term profit-taking against modest speculative buying interest, reports T. G. Roddick.

Mnth	WHEAT Yestrd'ys close	+ or −	BARLEY Yesterdys close	+ or −
Mar.	115.70	—	114.00	+0.20
May	118.50	−0.10	117.00	+0.55
July	119.85	+0.20	—	—
Sept.	89.50	−0.05	87.95	−0.05
Nov.	102.60	−0.10	101.55	−0.10
Jan	106.10	−0.10	155.15	−0.10

Business done—Wheat: March 115.70-5.65, May 119.55-9.00, July 116.80-6.40, Sept 99.60-9.50, Nov 102.60-2.50, Jan 106.10 only. Sales: 244 lots of 100 tonnes. Barley: March 114.10-4.00, May 117.15-6.75, Sept 87.95-7.90, Nov 151.60-1.50, Jan 105.50 only. Sales: 61 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent April/May 123.25, June 122.25 transhipment east coast. US No 2 soft red winter June 97.50 sellers. EC first-half March 143. English feed fob customs cleared 120.00 buyer. March 118.50 seller, April 118.50 buyer, May 1200.00 seller, April/June 121.25/122.25 buyer/seller; June 123, Sept 102 sellers, Oct 104.00-105.00, Oct/Dec 106.25/107.00, Jan/March 112.00-112.50 buyer/sellers, April/June 116.00 buyer east coast. Maize: US No 3 yellow/French transhipment east coast first-half March 143.50. Barley: English feed fob April 118.90, May 120.50 sellers, July/Aug 98.25 buyer, Aug 99.00 sellers. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed barley: S. East 113.50, S. West 111.90, W. Mids 111.90, *N. West* 116.20. The UK Monetary Coefficient for the week beginning Monday March 10 (based on HGCA calculations using five days' exchange rates) is expected to change 1.123.

No. 8 oil contract—May 174.4-4.6; Aug 180.0-1.0; Oct 183.8-4.0. Sales: 1,727 (2,024).

PARIS—(FFr per tonne): May 1,310-1,312, Aug 1,348-1,351, Oct 1,389-1,391, Dec 1,410-1,423, March 1,476-1,483, May 1,515-1,534.

Sales: 436 (747) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $166.50 (£116.00), up $16.50 (up £6.00) a tonne for March-April delivery. White sugar $190.00, up $9.00.

A fresh buying tender from India enabled prices to consolidate Monday's gains, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne F.O.B.		
May	154.2-154.4	154.4-154.8	156.6-152.8
Aug	160.2-160.5	158.4-160.0	161.6-158.0
Oct	165.5-163.9	163.9-164.0	166.5-162.4
Dec	168.8-168.9	168.0-167.6	167.2
Mar	175.0-115.2	114.4-175.4	176.2-174.6
May	179.5-119.2	178.2-178.0	178.6

Sales: 2,334 (2,595) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £219.50 (£214.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for March 3: Daily price 6.22 (5.77); 15-day average 5.66 (5.81).

POTATOES

The market opened 50p down before immediately recovering with keen buying interest rapidly pushing values to £1.00 up on the opening call. Strong buying interest persisted throughout the afternoon, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Apr	96.60	93.10	95.60-92.50
May	104.30	100.50	104.80-101.00
Nov	78.20	78.30	78.10
Feb	86.30	86.50	—
Apr	98.80	99.00	—

Sales: 615 (1,084) lots of 40 tonnes.

Earlies—July 91.00, unchanged, 91.00; Aug 70.00, +5.5; Sept 62.50, −2.5. Sales: 13 (0) lots of 15 tonnes.

OIL

Crude oil trading was almost at a standstill. May Brent sold at $11.86. A large number of stated March North Sea cargoes were on offer. On Nymex April WTI opened 7c down and traded 2c down at 1.30 pm EST.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—March		
Arab Light	—	—
Arab Heavy	—	—
Dubai	11.50-11.70*	−1.00
Brent Blend	15.40-15.60	−0.50
W.T.I. (1pm est)	12.25-12.55*	+0.10
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	153-157	−3
Gas Oil	170-172	+1
Heavy fuel oil	82-84	−5.5
Naphtha	118-120	−1

* April Petroleum Argus estimates 3.30 pm.

GAS OIL FUTURES

Month	Yesterd'ys Close $ US per tonne	+ or −	Business Done
Mar.	157.25	+2.25	157.25-53.50
April	138.25	+4.50	138.25-33.00
May	128.25	−0.25	128.25-25.50
June	125.00	−1.50	127.50-22.50
July	125.00	−3.25	127.75-22.50
Aug	128.00	−1.75	129.00-25.10
Sep	130.50	−1.50	131.50-30.00

Turnover: 5,648 (4,990) lots of 100 tonnes.

CRUDE OIL FUTURES—Brent Blend Index. $ a barrel (Close, change, business done): Index 12.75, −0.91; April 12.40-13.00; May 11.80-12.10; June 12.10-13.30; July 12.30-13.40.

Turnover: 0 lots of 1,000 barrels.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar loses ground

The dollar fell to its lowest level since November 1981 against the D-mark yesterday in very nervous and erratic trading. A number of conflicting factors influenced the market. There was increasing speculation that the West German Bundesbank may reduce its discount rate at tomorrow's meeting of the central council while a surprise 0.6 per cent in US leading economic indicators, compared with expectations of a 0.3 per cent rise, provided further pressure for a cut in the US discount rate. Before the announcement the market had appeared hesitant and although dollar sentiment remained bearish, the market lacked sufficient conviction to establish the dollar below the psychologically important DM 2.20 level.

It did touch a low of DM 2.1925 but soon recovered to trade above DM 2.20. However there was little follow through demand and the dollar failed to break through DM 2.2100, falling back to close at DM 2.1990 from DM 2.2185. However it was soon recovering in New York trading to be quoted at DM 2.2020. Against the yen the dollar finished at Y178.95, down from Y179.55 and its worst closing level since October 1978. Elsewhere it dipped to FFr 6.7675 from FFr 6.8325 and SFr 1.8710 compared with SFr 1.8775. On Bank of England figures, the dollar's exchange rate index fell from 117.6 to 116.9.

STERLING — Trading range against the dollar in 1985-86 is 1.4960 to 1.0525. February average 1.4297. Exchange rate index 73.3 after opening at 72.5 and Monday's close of 72.5. The six months ago figure was 82.0.

Sterling recovered from the day's lows despite a further decline in North Sea oil prices to below $12 a barrel. A sharp rise in UK Government stocks and equities probably increased demand for the pound and it finished at $1.4635 against the dollar, a rise of 2.15c. Against the D-mark it improved to DM 3.2175 from DM 3.20 and Y262.0 compared with Y259.0. Elsewhere it rose to SFr 2.7375 from SFr 2.7075 and FFr 9.9050 from FFr 9.8525.

D-MARK — Trading range against the dollar in 1985-86 is 3.4510 to 2.1990. February average 2.3310. Exchange rate index 136.0 against 125.3 six months ago.

The D-mark showed little overall change against a rather nervous and erratic dollar in Frankfurt yesterday. Despite the dollar's unsettled nature, it was confined to a fairly narrow range. Poor US economic data effectively put a high on the day's range while fears of a technical improvement in the US unit deterred many from running too short. The D-mark seemed unaffected by growing rumours of a cut in the West German discount rate.

JAPANESE YEN — Trading range against the dollar in 1985-86 is 263.15 to 178.95. February average 184.545. Exchange rate index 190.7 against 157.1 six months ago.

The yen improved slightly against the dollar in Tokyo yesterday, following a weaker dollar trend in New York, as interest rates eased. The dollar closed at Y179.0, down from Y179.30 in Tokyo and Y180.0 in Tokyo on Monday. Dealers appeared reluctant to push the dollar through the recent Y178.0 resistance level, fearing that the Japanese central bank may intervene. Elsewhere, the D-mark rose to Y81.00 from Y80.72 with growing speculation over a cut in West Germany's discount rate appearing to have little effect.

£ IN NEW YORK

Close	Mar. 4	Prev. close
£ Spot	$1.4656-1.4645	$1.4430-1.4440
1 month	0.61-0.58pm	0.62-0.61pm
3 months	1.02-1.07pm	1.05-1.02pm
12 months	5.08-4.05pm	0.10-5.05pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

March 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4430-1.4695	1.4630-1.4640	0.61-0.58c pm	4.88	1.63-1.58 pm	4.40
Canada	2.0692-2.0848	2.0786-2.0825	0.09-0.20c dis	−0.84	0.10-0.02 pm	0.17
Nethlnd.	3.60-3.64	3.63-3.64	2¼-2c pm	7.02	6-5½ pm	9.40
Belgium	65.25-66.15	66.05-66.15	13-7c pm	1.82	46-34 pm	2.42
Denmark	11.78¾-11.92	11.91-11.92	5¾-4¼ore pm	5.16	13¾-12½ pm	4.43
Ireland	1.0571-1.0707	1.0644-1.0654	0.55-0.30p pm	4.79	1.40-0.60 pm	4.13
W. Ger.	3.19¾-3.23	3.21¾-3.22¾	2¾-2¼pf pm	8.62	6¾-6¼ pm	7.77

CURRENCY MOVEMENTS

Mar. 4	Bank of England Index	Morgan Guaranty Change %
Sterling	73.3	−19.9
U.S. dollar	116.9	+9.4
Canadian dollar	76.6	−14.3
Austrian schilling	127.5	+7.0
Belgian franc	92.3	−7.5

CURRENCY RATES

Mar. 4	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.798823	0.071133
U.S.$	7½	1.15706	0.074486
Canadian $	11.80	*	1.39050
Austria Sch.	4	17.9417	10.1143
Belgian Fr.	8¾	92.2013	44.0346
Danish Kr.	7	9.43988	7.94547
D'mark	4	2.55310	2.15069
Guilder	5	2.88402	2.42942
French Fr.	9½	7.86007	6.01070
Lira	15½	N/A	1463.68
Yen	4½	206.886	174.072
Norway Kr.	8	8.09030	6.90532
Span'h Pta.	—	161.193	135.720
Swedish K.	9½	8.97318	8.00514
Swiss Fr.	4	2.16310	1.82239
Greek Drch	20½	159.637	134.899
Irish Punt	—	0.844584	0.711303

* C$/SDR rate for March 3: 1.64170

* Selling rate.

FINANCIAL FUTURES

Further gains

Figures on US leading indicators sent June US Treasury bonds to a new contract high on the London International Financial Futures Exchange yesterday afternoon. It opened firm at 96-00, reacting to overnight gains in the Far East, and was trading around 96-10, when it was announced that January leading indicators had fallen 0.6 per cent. The market had been expecting a reduction from the December rise of 0.9 per cent, but the figure was generally forecast to still show a rise, of around 0.3 per cent. The news boosted hopes that the weak economy would encourage easier monetary policy by the Federal Reserve, and immediately pushed the June contract up to 96-19, before news that the December rise of 0.9 per cent had been revised up to 1.5 per cent trimmed back the rise. Sentiment remained very strong, however, as the market continued to look towards a long bond yield of 8 per cent and a futures price of 100-00. June delivery touched a peak of 96-31, and closed at 96-26 compared with 94-26 previously.

Long gilt futures also opened strong, and remained firm, boosted by the rise in US Treasury bonds. June long gilts opened at 116-22, and advanced to a peak of 118-04, after the US leading indicators announcement. A lack of a new tap stock in the cash market gave further encouragement, but dealers suggested the contract appeared overbought, as it retreated to close at 117-10, against 115-21 on Monday.

Short sterling deposits for June opened at 88.65, supported by strong sentiment in gilts and US interest rate contracts. A rise in the UK official reserves also encouraged buying, and the contract closed at 88.80, compared with 88.55 previously.

Dealers commented that sterling interest rate contracts are being carried along in the wake of US bonds.

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.4615	1.4604	1.4411	1.4343
June	1.4465	1.4500	1.4270	1.4193
Sept	1.4365	—	—	1.4073

Estimated volume — (—)
Previous day's open int. — (2,871)

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.4538	0.4563	0.4534	0.4503
June	0.4572	0.4576	0.4576	0.4541

Estimated volume — (—)
Previous day's open int. — (295)

STERLING INDEX

	Mar 4	Previous
8.30 am	72.5	72.4
9.00 am	72.6	72.5
10.00 am	72.8	72.3
11.00 am	72.7	72.3
Noon	72.6	72.4
1.00 pm	72.7	72.3
2.00 pm	73.0	72.2
3.00 pm	73.4	72.4
4.00 pm	73.3	72.5

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 4	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.0346	−1.78	+1.11	±1.5425
Danish Krone	8.12857	7.94547	−2.25	+0.64	±1.6421
German D-mark	2.23840	2.15069	−3.92	−1.03	±1.1455
French Franc	6.86402	6.61676	−3.60	−0.71	±1.3654
Dutch Guilder	2.52208	2.42942	−3.71	−0.82	±1.5162

MONEY MARKETS

Expectations of German rates cut

Speculation grew in Frankfurt that the German Bundesbank would cut one, or both of its leading interest rates at tomorrow's central bank council meeting. On the money market call money remained at 4.90 per cent, compared with 5.40 per cent on Monday, as conditions remained tight, encouraging the authorities to add net liquidity to the banking system. The Bundesbank accepted bids of DM 14bn at a tender for a 29-day securities repurchase agreement, at the minimum offered rate of 4.30 per cent. Total applications were DM 15.9bn. Two expiring agreements will drain DM 11.3bn from the market today. The increase in liquidity was widely expected, ahead of seasonal tax payments, but the fall in the offered rate to 4.30 per cent from the previous level on similar agreements of 4.50 per cent, was regarded as a possible signal that the Bundesbank's discount rate of 4 per cent, or Lombard rate of 5.5 prec nt would be cut tomorrow.

UK clearing banks base lending rate 12½ per cent since January 9

Interest rates were slightly easier on the London money market yesterday, as sterling showed signs of recovery. Three-month interbank fell to 12¼-12⅛ per cent from 12¾-12⅝ per cent but with oil prices falling to the lowest level for seven years dealers were sceptical about the Bank of England endorsing a cut in clearing bank base rates, in spite of hopes that West Germany, Japan and the US will reduce rates in the near future. The Bank of England forecast a money market shortage of £600m initially, but changed this to £650m in the afternoon. Total help provided was £514m.

Before lunch the authorities bought £110m bills outright, by way of £36m bank bills in band 2 at 12⅜ per cent; £73m bank bills in band 3 at 12¼ per cent and £1m bank bills in band 4 at 12 3/16 per cent. In the afternoon another £254m bills were purchased outright, through £201m bank bills in band 2 at 12⅜ per cent; and £53m bank bills in band 3 at 12¼ per cent. Late assistance of around £150m was also provided. Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £404m, with Exchequer transactions absorbing £335m. These outweighed a fall in the note circulation adding £45m to liquidity, and bank balances above target by £30m.

NEW YORK RATES

(Lunchtime)

Prime rate	9½
Broker loan rate	8¾
Fed funds	7⅞
Fed funds at intervention	—
Treasury Bills & Bonds	
One month	6.84
Two month	7.03
Three month	7.02
Six month	7.07
One year	7.12
Two year	7.33
Three year	7.41
Four year	7.44
Five year	7.54
Seven year	7.74
10 year	7.84
30 year	8.03

MONEY RATES

Zurich	7⅞-1⅛	5¾-5⅞	—	5¾-5⅞	—	—
Amsterdam	0⅛-0⅛	5⅞-6⅛	—	5⅝-6¼	6⅝-6¼	—
Tokyo	6.03125	6.09875	6.96875	5.20625	—	—
Milan	16⅞-17¼	17¼-17⅝	—	10⅛-10⅛	—	—
Brussels	0.00	8⅛-8¾	—	8⅝-8⅞	—	—
Dublin	14¾-15	15¾-16	16½-16¾	15¾-16⅛	15-15½	—

LONDON MONEY RATES

Mar. 5	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	2-14	12⅝-10⅞	12 7/16-10½	12 7/16-12½	12⅛-12¼	11⅝-11⅞
Sterling CDs	—	—	12⅛-12¼	10⅛-12¼	11 11/16-11 13/16	11 9/16-11 11/16
Local Authority Depos	12⅝-12¾	12⅝	12⅝	18¼	11 13/16	11⅞
Local Author'y Bonds	—	—	13	12 7/16	12 3/16	11 13/16
Discount Mkt Depos.	12½-12¾	12⅛	12⅛	12	—	—
Company Depos.	18½-10	18⅞-13	12⅞	12⅛	—	—
Finance Hse Depos	—	—	12¾	12 7/16	12	11 13/16
Treasury Bills (Buy)	—	—	12 7/16	11 13/16	—	—
Bank Bills (Buy)	—	—	12 13/16	11 13/16-12	11¼-11 5/16	—
Fine Trade Bills (Buy)	—	—	12 11/16	12 7/16	11⅞	—
Dollar CDs	—	—	7.60-7.65	7.05-7.80	7.55-7.60	7.60-7.85
SDR Linked Depos	—	—	8⅜-8⅝	8⅛-8⅝	7¾-8	7⅛-7¾
ECU Depos	—	—	8 13/16-10 1/16	8 13/16-8 13/16	9¼-9⅜	8 13/16-8 13/16

Treasury Bills (sell): one-month 12 7/32 per cent; three-months 11 23/32 per cent. Bank Bills (sell): one-month 12 7/32 per cent; three-months 11 23/32 per cent. Treasury Bills: Average tender rate of discount 11.8481 per cent. ECGD Fixed Finance Scheme IV reference date February 5 to March 4 (inclusive): 12.653 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 13 per cent from March 1, 1986. Bank Deposit Rate for sums at seven days' notice 0-0¼ per cent. Certificates of Tax Deposits (Series 6). Deposits £100,000 and over held under one month 12½ per cent; one-three months 12¼ per cent; three-six months 11¾ per cent; six-nine months 11½ per cent; nine-12 months 11½ per cent. Under £100,000 11½ per cent from February 26. Deposits held under Series 6 11½ per cent. Deposits withdrawn for cash 7½ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. March 4) Three months US dollars		Six months US dollars	
bid 7 5/8	offer 7 3/4	bid 7 5/8	offer 7 3/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

Company Notices

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985/86 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99	96¼	Treas. 10pcCnv 1986	99	+	10.02	11.84
98	92¼	Treas 3pc 1986	98	+	3.06	12.38
100	97	Exch 10½pc 1986	99		10.55	12.52
101	99	Treas 12pc 1986	99	+	12.01	12.22
98	94¼	Treas 8¾pc 1984-86‡‡	98	+	8.59	11.82
105	100¼	Exch 14pc 1986	101	+	13.81	11.72
95	87¾	Exch. 2½pc 1986	95½	+	2.61	9.10
104	100½	Exch. 13¼pc 1987	101	+	13.06	11.43
99	95⅝	Treas 10¼pcCv '87	99	+	10.32	11.15
94	85	Exch 2½pc 1987	94½	+	2.64	8.34
100	96¼	Exch. 10½pc 1987	99½	+	10.55	11.21
95	87	Funding 6½pc '85-87‡‡	95	+	6.28	10.44
99	95½	Treas. 10pc 1987	98	+¼	10.12	10.98
93	84¾	Treas 3pc 1987	93½	+	3.22	8.44
102	99½	Treas. 12pc 1987	101	+	11.82	11.02
95	90¼	Treas 7¾pc 1985-88‡‡	95½	+	8.11	10.41
100	95½	Exch 10½pc '88	99	+	10.56	10.82
98	93	Treas 9¼pc Cv '88	97	+	9.96	10.86
98	80	Transport 3pc '78-88	88	+	3.37	8.46
97	91	Treas. 9½pc '88	96	+	9.80	10.87
102	97	Treas 11½pc 1989	102	+	11.27	10.70
97	90¼	Treas 9½pc Cnv. '89	96	+	9.85	10.82
95	79	Treas 3pc 1989	85	+	3.52	8.45
99	94	Treas 10½pc 1989	99	+	10.55	10.66
98	92	Exch. 10pc 1989	98¼	+	10.17	10.61
101	95	Exch 11pc 1989	101¼	+	10.86	10.62
86	79	Treas 5pc 1986-89	86½	+¼	5.76	9.40
100	95	Exch 10¼pcCv '89	100	+	10.16	10.41
108	103½	Treas 13pc 1990‡‡	107	+	12.06	10.46
101	94	Exch 11pc 1990‡‡	101	+	10.83	10.43

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

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INDUSTRIALS—Continued

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NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable, bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ✣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- 71 Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ *Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.*
- 4 No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¢¢ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. n Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. N Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	104	..	Fin. 13% 97/02	£113¼	..
Craig & Rose £1	£11	..	Arnotts	250	..
Finlay Pkg. 5p	45	..	CPI Hldgs	56	
Holt (Jos) 25p	720	..	Carroll Inds.	168	−2
IoM Stm. £1	62	..	Dublin Gas	55	..
			Hall (R & H.)	60	..
IRISH			Heiton Hldgs.	25	..
Fund 11¼% 1988	£99¾	..	Irish Ropes	55	−1
Nat. 9¾% 84/89	£95¼	..	Unidare	125	..

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LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

First Dealings	Option Declara-tions	Last Dealings	Account Day
Feb 24	Mar 6	Mar 7	Mar 17
Mar 10	Mar 26	Mar 27	Apr 7
Apr 1	Apr 19	Apr 11	Apr 21

" " New-time " dealings may take place from 9.30 am two business days earlier.

New upsurge leaves Gilts £2 up and equity indices near record

Markets surged strongly higher as institutional investors reopened for business yesterday after having been absent over the two previous trading sessions. The main equity indices, after starting lower, raced ahead to threaten their respective peaks before closing a whisker short of record levels. Government securities refused to be upstaged and longer-dated stocks jumped two points.

The strength of bond markets worldwide was a tonic for Gilt-edged but the main boost was a change of direction in the exchange rate. Sterling bounced higher against the dollar and also recovered strongly on leading European currencies, although oil prices continued to weaken. Short-term money market rates fell back—three-months interbank settled at 12⅛ per cent—and thus rekindled hopes of a fall this month in bank base rates.

Expectations that the Bundesbank would lower the German discount rate tomorrow and pave the way for reductions in both Japanese and US levels created further interest. Substantial funds from domestic and overseas sources were attracted and the authorities provided little help in alleviating severe stock shortages. Prices went progressively forward until the after-hours' trade and then eased from the best. They still showed rises stretching to 2¼ points, the ultra-long Exchequer 12 per cent 2013-17 being that much up at 122¾ to yield 9.63 per cent.

Encouraging trading statements from leading industrial and financial groups reinforced the buoyant equity tone. Unilever's preliminary results pleased along with those of Fisons, while NatWest delighted the banking sector with full-year profits in excess of most optimistic expectations. Two new takeover offers ensured a continuation of speculative activity; Norton Opax is bidding for McCorquodale and Coloroll for Staffordshire Potteries, the two last-named after abortive merger discussions.

A firmer early trend on Wall Street yesterday caused renewed firmness in the after-hours' business but the indices just failed to breech their all-time highs. The FT Ordinary share index closed 14.8 up at 1,281.3 compared with the February 27 record of 1,281.5, while the FT-SE ended 14 points higher at 1,548.9.

NatWest's much better-than-expected annual profits—nearly 20 per cent higher at £804m—prompted a 25 advance in the shares to 733p, after 740p, and induced strength in the other clearers. Midland, the next to report results today with brokers estimates ranging between £290m and £350m, advanced to 493p before closing a net 10 dearer on balance at 488p. Lloyds jumped 23 to 535p, while Barclays, scheduled to bring the season to a close tomorrow, added 16 to the good at 493p. Elsewhere, Provident Financial were outstanding among Hire Purchases, closing 42 higher at a new peak of 400p in response to the bumper annual profits and proposed 20 per cent scrip-issue. Woodchester, meanwhile, jumped 20 more for a two-day rise of 52 at 230p following renewed speculative demand in a thin market. Merchant banks encountered selective support with Kleinwort Benson 10 dearer at 740p. Mercury Securities put on 10 to 525p and associated stockbroking concern Akroyd and Smithers rose 25 to 650p in sympathy.

Prudential, still reflecting vague rumours of a possible merger with Midland Bank, rose 14 more to 888p. Other Life issues made good progress with sentiment helped by the strong performance of gilts. Sun Life jumped 15 to 895p and Legal and General improved 10 to 772p, while improvements of 8 and 10 respectively were seen in London and Manchester, 342p, and Legal and General, 772p. Composites marked time ahead of today's interim figures from Commercial Union, a couple of pence better at 277p.

The outstanding performance in a quietly mixed Building sector came from AMEC which gained 12 to 246p following a broker's favourable circular.

Strong American buying following an analysts' meeting in the US lifted ICI 36 to 960p Elsewhere in the Chemical sector, Brent firmed 5 afresh to 132p, while Fosceo, still reflecting a broker's circular, gained 14 more to 267p. Moving sharply against the trend, Blagden Industries fell 11 to 11½p reflecting the cautionary statement which accompanied the annual results.

Gussies give ground

Leading Retailers shrugged off initial uncertainty and closed with modest gains for choice. Woolworth stood out, however, and advanced 18 to 505p, but an uninspiring notices emanating from an analyst's meeting unsettled Gussies "A," finally 28 lower at 883p, after 877p. Mail-orders met fresh support ahead of the forthcoming dividend season with gains of 4 common to Grattan, 390p, and Freemans, 378p. Secondary Stores, the subject of considerable speculative activity recently, passed a less frantic session.

Cable and Wireless returned to prominence in Electricals, jumping 30 to 667p, after 670p, as good buying in response to a broker's favourable circular found jobbers none-too-well supplied with stock; the second and final instalment of 287p per C and W share is due on Friday. Thorn EMI attracted after-hours' support and finished 15 better at 454p, while improvements of 4 were seen in British Telecom, 208p, and Plessey, 210p. Revived hopes of a bid from BTR left STC also 4 dearer at 120p. Elsewhere among Electricals, Amstrad jumped 26 to 390p following the launch of its compact disc playing systems and Ferranti revived with an improvement of 8 at 144p. Applied Holographics put on 13 at 258p, but BSR softened 2 to 93p, after 87p, on nervous offerings awaiting the results. AMS Industries plummeted 19 more for a two-day relapse of 34 at 89p following comment on the preliminary figures. Powerline dropped 16 further to 115p on further consideration of the poor preliminary figures.

Engineers presented a mixed appearance. Apart from Vickers which continued to make progress at 418p, up 10, there was little worthy of note in the leaders. Elsewhere, demand persisted for Brooke Tool, up 8 at 46p. Staveley were favoured and put on a similar amount to 422p, while buyers continued to show interest in Noble and Lund, up 2 more at 98p.

Tate and Lyle provided a dull feature in the Food sector, falling 15 to 590p on fears that a successful bid for S. and W. Berisford from Ferruzzi of Italy could damage the former's sugar trading prospects; Berisford continued to attract buyers and closed 6 higher at 213p. Tate and Lyle has acquired a 2.8 per cent stake in Berisford. Hillsdown Holdings, which announced on Monday that it had increased its stake in Berisford to 9.09 per cent, hardened 2 to 223p. Elsewhere, Cadbury Schweppes edged up 2 to 167p ahead of tomorrow's annual results, but Rowntree Mackintosh slipped 5 to 425p. Recently-overlooked Bio-Isolates gained 7 to 24p.

Fisons, reflecting the good preliminary figures, advanced 8 to 528p despite a considerable amount of profit-taking. Encouraged by the Fisons results, Wellcome encountered a good demand and put on a similar amount to 181p. Elsewhere in the miscellaneous industrial sector, demand revived for British Vita up 15 further at 257p. Wolseley Hughes finished 8 higher at 513p, after 517p, following the interim figures and proposed rights issue to finance the acquisition of Grovewood Securities. Speculative demand left Parker Knoll A 17 dearer at 295p and Clement Clarke 14 up at 197p, while late buying prompted a rise of 18 to 278p in Blue Arrow and a gain of 20 to 773p in Siebe. Interest revived in Avon Rubber which put on 12 to 305p, but recent bid favourite Beatson Clark ran back 15 to 183p. Stat-Plus advanced 10 to 235p on the preliminary figures and proposal to seek a full listing. Cookson continued to make headway at 475p, up 7, while Tranwood came to life with a gain of 3½ at 19½p. Following the *unwelcome* bid from Coloroll, dealings resumed in Staffordshire Potteries at 118p and the former at 186p compared with suspension prices of 122p and 157p respectively. Among the leading issues, Unilever responded to the better-than-expected preliminary figures with a gain of ¼ to £14¼. BOC continued to attract buyers and closed up 8 further to 342p, while Beecham, 355p, and BTR, 433p, improved 5 apiece.

Jaguar were lively and traded between extremes of 480p and 451p before settling 3 cheaper on balance at 455p; the preliminary results are scheduled for Thursday week. Lucas Industries, down to 515p in early trading, rallied to finish a net 8 up at a new peak of 528p, but talk of a offering left recently firm AE 13 down at 170p. Distributors featured fresh support for Lex Service which advanced 10 for a two-day gain of 17 to 337p; the full-year figures are due tomorrow.

Paper/Printing highlighted McCorquodale which touched 230p before settling 12 up on balance at 222p following the widely-anticipated share-exchange offer from Norton Opax, a couple of pence easier at 143p, after 140p. McCorquodale quickly rejected the bid as "unsolicited and unwelcome." Barham eased 2 to 157p following acquisition news, while Ault and Wiborg also shed 2, to 34p, awaiting today's preliminary figures. Carlton Communications hardened 10 to 780p after the annual meeting, but further reflection of the extremely disappointing interim results prompted increased selling of design consultants Michael Peters which dipped 28 for a two-day decline of 47 to 145p.

MEPC again proved a volatile market and, after dipping to 353p, picked up on late demand to close only 5 cheaper on balance at 360p. Haslemere Estates edged up 5 to 530p on hopes of an increased offer from Rodamco, while Greycoat firmed 4 to 242p on news that the group had submitted a planning application in conjunction with the British Rail Property Board for a major redevelopment in the Charing Cross area. Elsewhere in the Property sector, Tops Estates advanced 48 to 268p in belated response to property investment news, while Hanover Investments rose 10 more to 175p on takeover hopes.

P & O Deferred advanced 18 to 506p, partly reflecting substantial option activity; the preliminary results are expected towards the end of the month.

Textiles featured floor covering concerns John Crowther, 5 up at 126p, after 128p, and Burmatex, 10 to the good at 138p. Elsewhere, revived institutional support lifted Courtaulds 7 to 245p.

Oils easier

Oil shares were again disturbed by falling crude oil prices. The leaders were marked down at the outset, but picked up well in mid-session before slipping back again after-hours. BP opened lower at 518p and edged up to 523p prior to ending the session a few pence easier at 518p, while Shell touched extremes of 698p and 710p before closing a net 2 off at 703p. Britoil fell 5 to 180p. LASMO and Tricentrol lost around 3 apiece to 145p and 123p following forecasts that both companies may cut their 1986 dividends. Elsewhere, Peko Oil, which has a stake in the recent encouraging oil discovery by BHP in the Timor Sea well Challis 2A, jumped 9 to 38p following the share-exchange takeover bid from Peko-Wallsend for every six Peko Oil; Peko-Wallsend were 2 lower at 245p.

Golds easier

The strength of sterling against the dollar and a minor bout of profittaking prompted widespread losses throughout South African mining issues.

An initial mark down of the leading Golds was followed by persistent small selling from London and Continental operators, and the Gold Mines index gave up 5.2 to 337.5.

South African Financials were mixed. The general weakness of Golds unsettled "Amgold," which fell £2 to £55 and Anglo American Corporation, ¼ off at £10⅛ but Johannesburg support ahead of the preliminary results due on March 13 boosted Gencor ⅛ to £10. London-domiciled Financials drifted easier during the morning but picked up later in the day helped by the good gains in domestic markets. Rio Tinto-Zinc rallied from an initial 608p to close a couple of pence better at 812p. East Rand Consolidated dipped 2 to 62p reflecting the reaction in NMC 10 off at 80p.

Australian mines took a back seat to "down-under" banks and industrials. In the leading mines CRA eased a shade to 282p despite the sharply increased full-year profits and dividend. Golds were quietly mixed with the notable exception of Poseidon which jumped 8 more to 136p—a three-day gain of 18—reflecting rumours emanating from Australia of an imminent takeover bid from Western Mining; the latter lost 2 to 168p.

Recently firm Geevor Tin dipped 8 to 64p in the absence of any further news regarding the two near-19 per cent stakes in the company that recently changed hands.

Traded Options

Activity in Traded Options returned to recently buoyant levels after Monday's subdued session. Total contracts transacted yesterday amounted to 22,775 comprising 13,787 calls and 8,988 puts. Business was well spread throughout the list, with British Telecom particularly lively with 2,240 calls and 1,854 puts done. Takeover speculation prompted another active turnover in Beecham which attracted 750 calls and 857 puts, with 822 of the latter struck in the March 330's. Lonrho and British Aerospace attracted 953 and 679 calls respectively. The FT-SE 100 index contributed 699 calls and 1,658 puts.

FINANCIAL TIMES STOCK INDICES

	Mar. 4	Mar. 3	Feb. 28	Feb. 27	Feb. 26	year ago
Government Secs	86.26	85.21	85.43	85.56	85.28	85.09 80.15
Fixed Interest	90.32	89.69	90.15	90.12	89.76	89.57 83.53
Ordinary ♦	1281.3	1266.5	1277.4	1281.5	1270.2	1264.2 982.0
Gold Mines	337.5	342.7	336.3	356.2	337.0	336.5 476.3
Ord. Div. Yield	4.18	4.18	4.15	4.11	4.15	4.17 4.49
Earnings, Yld. % (full)	9.72	9.83	9.75	9.64	9.69	9.96 11.27
P/E Ratio (net) (*)	12.68	12.53	12.62	12.66	12.57	12.51 10.63
Total bargains (Est.)	37,218	37,507	32,300	31,833	36,504	39,435 35,006
Equity turnover £m.	—	664.85	752.99	668.24	605.04	633.61 385.54
Equity bargains	—	28,058	33,510	35,223	33,764	40,250 21,370
Shares traded (ml)	—	322.2	348.4	374.5	360.6	302.5 181.3

♦ 10 am 1262.3. 11 am 1268.2. Noon 1274.3. 1 pm 1276.5. 2 pm 1277.3. 3 pm 1278.6. 4 pm 1280.0. Day's High 1281.3. Day's Low 1261.2. Basis 100 Government Securities 15/10/26. Fixed Interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest Index 01-246 8026. *Nil=12.21.

HIGHS AND LOWS

	1985/86 High	1985/86 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	86.26 (4/3/86)	78.02 (29/1/85)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.32 (4/3/86)	82.17 (20/1/85)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1281.5 (27/2/86)	911.0 (28/1/85)	1021.5 (27/2/86)	49.4 (26/6/40)
Gold Mines	336.5 (15/4/85)	217.0 (18/11/85)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

INDICES	Mar. 3	Feb. 28
Daily Gilt Edged Bargains	175.0	103.2
Equities Bargains	207.7	217.2
Value	1,343.5	1,842.0
5 day Average Gilt Edged Bargains	200.3	201.2
Equities Bargains	227.0	238.1
Value	1628.5	1,786.1

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon Mar 3 Index No.	Fri Feb 28 Index No.	Thur Feb 27 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (212)	672.06	+0.6	8.49	3.47	14.81	1.37	668.35	673.47	674.83	537.73
2 Building Materials (24)	712.28	+0.2	9.25	3.81	13.55	0.50	710.76	712.44	718.84	482.46
3 Contracting, Construction (27)	1037.88	+0.3	8.73	4.29	15.03	2.30	1034.77	1040.69	1042.85	688.31
4 Electricals (13)	1839.32	+2.5	8.06	4.17	14.18	1.50	1827.71	1837.12	1844.86	1511.80
5 Electronics (38)	1675.17	+1.1	5.77	2.74	14.99	6.02	1657.72	1679.33	1691.33	1695.87
6 Mechanical Engineering (63)	375.02	+0.7	9.49	3.97	12.85	0.64	372.47	375.60	374.99	295.67
8 Metals and Metal Forming (7)	352.72	-0.2	7.48	5.62	16.32	0.00	353.54	352.28	353.44	185.23
9 Motors (18)	270.58	-0.4	6.70	3.41	14.83	0.34	271.61	273.77	273.45	163.29
10 Other Industrial Materials (22)	1195.28	+0.8	6.93	3.61	18.85	2.33	1186.58	1192.25	1192.27	898.94
21 CONSUMER GROUP (183)	879.53	+0.6	7.57	3.29	15.77	2.07	846.05	852.98	853.76	628.95
22 Brewers and Distillers (23)	850.83	+0.3	9.29	3.64	13.71	4.04	848.20	857.87	857.70	554.72
25 Food Manufacturing (22)	620.47	+0.5	9.73	4.09	13.28	1.68	617.48	614.86	614.39	506.91
26 Food Retailing (14)	1863.05	+0.3	6.44	2.49	21.89	5.78	1854.68	1868.56	1893.46	1407.93
27 Health and Household Products (10)	1446.72	+0.6	5.27	2.22	22.28	9.25	1437.54	1441.47	1445.40	1019.07
29 Leisure (25)	862.97	+1.4	7.50	4.01	17.16	9.39	851.18	859.01	864.29	695.51
31 Publishing & Printing (13)	2149.93	+0.5	7.59	4.25	16.00	2.36	2135.73	2137.89	2134.67	1708.63
32 Packaging and Paper (15)	426.21	-0.3	8.10	3.73	14.67	0.99	427.34	426.43	425.82	309.49
34 Stores (43)	799.48	+0.4	6.72	2.71	20.14	1.06	795.92	809.87	808.97	551.83
35 Textiles (16)	474.28	+0.6	10.35	3.68	10.95	0.15	471.63	472.71	478.00	338.06
36 Tobaccos (3)	1060.34	-0.5	12.69	4.78	8.75	0.69	1065.51	1061.46	1046.45	999.93
41 OTHER GROUPS (85)	801.31	+1.7	8.44	3.72	15.14	1.50	787.85	787.67	787.33	667.51
42 Chemicals (19)	935.19	+3.0	10.52	4.48	11.69	2.32	917.87	917.83	917.43	611.93
44 Office Equipment (4)	239.49	+1.9	7.76	4.84	14.55	0.79	234.94	236.42	235.51	281.73
45 Shipping and Transport (12)	1555.02	+2.2	6.54	3.73	18.82	0.60	1522.18	1531.63	1545.26	1105.20
47 Telephone Networks (2)	956.87	+2.2	8.61	3.43	15.92	0.93	936.32	935.26	933.97	778.03
48 Miscellaneous (49)	973.17	+1.4	6.82	3.30	17.16	1.34	959.53	974.34	977.61	833.25
49 INDUSTRIAL GROUP (482)	800.62	+0.8	8.32	3.44	15.34	1.76	794.28	799.13	799.77	623.57
51 Oil & Gas (18)	1102.60	-0.4	19.78	8.23	5.96	21.65	1107.58	1119.64	1118.17	1205.13
59 500 SHARE INDEX (500)	827.82	+0.6	9.40	3.93	13.21	3.38	822.51	827.94	829.97	672.02
61 FINANCIAL GROUP (118)	576.06	+1.1	—	4.29	—	0.28	569.85	569.74	564.63	448.40
62 Banks (7)	579.16	+1.5	14.57	5.50	6.48	0.00	564.23	561.98	554.26	442.09
65 Insurance (Life) (9)	852.51	+1.5	—	3.99	—	0.00	840.25	832.91	835.75	629.69
66 Insurance (Composite) (7)	459.84	+0.2	—	4.34	—	0.00	458.75	464.94	463.26	323.66
67 Insurance (Brokers) (8)	1260.72	+0.9	5.82	3.45	19.59	0.85	1252.13	1251.13	1253.24	1128.08
68 Merchant Banks (11)	333.38	+0.4	—	3.13	—	0.06	331.99	328.82	328.40	234.15
69 Property (51)	727.03	—	5.47	3.40	24.47	0.69	727.14	735.97	728.83	559.23
70 Other Financial (25)	332.37	+0.6	7.50	4.04	16.44	0.98	329.95	331.60	332.72	288.95
71 Investment Trusts (103)	697.13	+0.2	—	2.75	—	1.90	695.81	693.51	692.18	522.49
81 Mining Finance (3)	273.75	-0.1	12.22	5.67	9.52	0.00	274.15	276.24	277.55	267.12
91 Overseas Traders (14)	647.38	-0.3	10.32	6.46	8.85	7.85	649.14	654.01	659.31	655.26
99 ALL-SHARE INDEX (736)	752.68	+0.7	—	3.99	—	2.56	747.39	750.85	752.86	614.79

	Index No.	Day's Change	Day's High	Day's Low	Mar 3	Feb 28	Feb 27	Feb 26	Feb 25	Year ago
FT-SE 100 SHARE INDEX ♦	1548.9	+14.0	1548.9	1529.8	1534.9	1543.9	1549.5	1534.4	1527.7	1274.9

FIXED INTEREST

PRICE INDICES	Tues Mar 4	Day's change %	Mon Mar 3	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	129.18	+0.43	119.66	—	1.68
2 5-15 years	136.50	+1.29	134.85	—	2.16
3 Over 15 years	144.87	+1.74	141.60	—	2.05
4 Irredeemables	158.29	+1.42	156.06	—	0.89
5 All stocks	133.63	+1.03	132.27	—	2.10
Index-Linked					
6 5 years	103.77	+0.25	103.48	—	0.81
7 Over 5 years	110.13	+0.46	109.67	—	0.71
8 All stocks	109.92	+0.43	109.45	—	0.73
9 Debentures & Loans	115.69	+0.53	114.82	—	1.23
10 Preference	81.60	+2.36	79.72	—	1.47

AVERAGE GROSS REDEMPTION YIELDS		Tues Mar 4	Mon Mar 3	Year ago (approx.)
British Government				
1 Low	5 years	9.39	9.39	10.95
2 Coupons	15 years	9.56	9.75	10.78
3	25 years	9.44	9.66	10.55
4 Medium	5 years	10.46	10.65	11.25
5 Coupons	15 years	9.92	10.11	11.22
6	25 years	9.63	9.83	10.86
7 High	5 years	10.56	10.77	11.44
8 Coupons	15 years	10.04	10.24	11.41
9	25 years	9.66	9.86	10.90
10 Irredeemables		9.51	9.65	10.23
Index-Linked				
11 Inflat'n rate 5%	5 yrs.	4.39	4.40	0.0
12 Inflat'n rate 5%	Over 5 yrs.	3.85	3.87	0.0
13 Inflat'n rate 10%	5 yrs.	3.35	3.44	0.0
14 Inflat'n rate 10%	Over 5 yrs.	3.56	3.59	0.0
15 Debs &	5 years	11.26	11.26	12.35
16 Loans	15 years	11.84	11.30	12.65
17	25 years	10.82	10.92	12.44
18 Preference		11.85	12.26	12.95

♦ Opening index 1530.0; 10 am 1531.6; 11 am 1538.2; Noon 1544.5; 1 pm 1547.4; 2 pm 1547.3; 3 pm 1547.5; 3.30 pm 1548.0; 4 pm 1548.2.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Amstrad	390	+26
Blue Arrow	278	+12
Courtaulds	245	+ 7
Fisons	528	+ 8
Fitch Lovell	307	+ 5
GUS A	883	−28
ICI	960	+36
NatWest. Bank	733	+25
P & O Defd.	506	+18
Wellcome	181	+ 8
Wolseley-Hughes	513	+ 8
Woolworth	505	+18

TUESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
Ford (Martin)	27	129	+ 4
Home Charm	22	312	−72
Berisford (SW)	17	207	+ 3
AMS Inds.	16	104	−19
Br. Aerospace	15	533	−10
Fitch Lovell	13	302	−14
Grand Met.	15	410	− 2
BAT Inds.	14	356	− 7
Bridon	14	132	+ 2
De Beers Defd.	14	495	− 3
Williams Hldgs	14	513	+ 2
Fisons	16	520	+13

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C	$360	30	7	1	14.50	—	—	$337.30
GOLD C	$370	10	4.50	2	8.50	60	14	"
GOLD C	$380	30	3	12	6.50	—	—	"
GOLD C	$400	—	—	194	5.50	—	—	"
GOLD P	$300	—	—	37	4	—	—	"
GOLD P	$320	—	—	60	7 B	2	2.20	"
GOLD P	$330	5	7	20	10	—	—	"
GOLD P	$340	2	11	20	14	—	—	"

[illegible]

TOTAL VOLUME IN CONTRACTS: 45,076.

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. r Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ¶‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ▣ Allotment price. ✠ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). †† Units comprising two ordinary, one preference and one warrant. † Units comprising one New ordinary and one 6.3 per cent Cnv.Red.Prf.

NEW HIGHS AND LOWS FOR 1985/6

NEW HIGHS (220)

BRITISH FUNDS (69), INT. BANK & O'SEAS GOVT. STLG. ISSUES (3), BANKS (12), BREWERS (1), BUILDINGS (7), CHEMICALS (4), STORES (4), ELECTRICALS (6), ENGINEERING (9), FOODS (4), HOTELS (1), INDUSTRIALS (32), INSURANCE (3), LEISURE (3), MOTORS (5), PAPER (5), PROPERTY (6), SHIPPING (1), TEXTILES (1), TRUSTS (43), OVERSEAS TRADERS (1).

NEW LOWS (24)

CANADIANS (2) Gulf Canada, Muscocho Explrtn., Trans Canada Pipe. BUILDINGS (3) Access, Satellite, Internatl. Amco, Trant Hldgs. ELECTRICALS (2) AMS Inds., Powerline Internatl. FOODS (1) Maybew Foods. INSURANCE (1) Dewey Warren. PAPER (2) Chapman Inds., Peters (Michael). OILS (5) Bryson Oil & Gas, Intercont'l Energy Lysander Petroleum, North Sea & General Invs., Tricentrol 11pc Cnv. Ln. '95-2005. MINES (7) F.S. Cons. Gold. OFS Invs., Jason Mining, Samson Explrtn., Southern Ventures, Sungei Besi, Tanjong Tin.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	110	0	2
Corpns Dom & Foreign Bonds	30	5	46
Industrials	288	380	854
Financial & Props	148	89	340
Oils	11	28	86
Plantations	1	1	14
Mines	25	72	83
Others	24	101	93
Totals	637	676	1,512

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Mar 3	Mar 14	June 12	June 23
Mar 17	Apr 4	June 26	July 7
Apr 7	Apr 18	July 10	July 21

For rate indications see end of Unit Trust Service

Call options were taken out in Beecham, Lonrho, Telemetrix, Aurora, Barker and Dobson, Manders, Birmid Qualcast, Sears, Brengreen, Grovebell, Norfolk Capital, Martin Ford, Barrie Investment and Finance, Hartons, Wellcome, Thomas Locker "A," STC, Brooke Tool Engineering, Arthur Lee, GUS "A," Queens Moat Houses, McCorquodale, Premier Oil, Cadbury Schweppes, "The Times" Veneer and A. and P. Appledare. A put was done in S. and W. Berisford, while C. H. Bailey were dealt in for the double.

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls July	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
[illegible]							

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
P. & O. (*506)	420	88	105	—	3	5	—
	460	52	73	85	7	15	10
	500	30	43	62	20	28	35
Racal (*194)	140	54	74	—	2	2	—
	160	44	54	—	0	4	—
[illegible]							

March 4 Total contracts 18,925 Calls 10,979 Puts 8,106 *Underlying security price

WORLD STOCK MARKETS

AUSTRIA

Mar. 4 | Price Schg. | + or —

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Prices at 2.30pm March 4

[illegible]

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices March 3

[illegible]

Total Sales 4,377,607 shares

Indices

NEW YORK—DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

NYSE-Consolidated 1500 Actives

[illegible]

TORONTO

[illegible]

* Indicates pre-close figure

	Mar. 4	Mar. 3	Feb. 28	Feb. 27	1985-86 High	1985-86 Low
AUSTRALIA						
All Ord. (1/1/80)	1058.8	1065.5	1050.1	1041.0	1078.5 (4/2/86)	715.3 (7/1/85)
Metals & Mins. (1/1/80)	510.5	510.0	512.7	509.7	595.8 (20/5)	462.5 (7/1/85)
AUSTRIA						
Credit Aktien (2/1/62)	110.70	111.59	112.29	115.28	120.82 (15/1/86)	56.21 (24/1/85)
BELGIUM						
Brussels SE (1/1/80)	3506.57	3288.32	3257.19	3221.20	3506.57 (4/3/86)	2080.7 (18/1/85)
DENMARK						
Copenhagen SE (3/1/83)	(u)	254.31	253.88	252.08	257.78 (2/1/86)	158.44 (9/1/85)
FRANCE						
CAC General (31/12/80)	(u)	305.0	312.8	310.5	324.7 (24/2/86)	180.9 (3/1/85)
Ind Tendance (31/12/85)	114.9	115.5	116.5	119.1	123.6 (24/2/86)	100.0 (31/12/85)
GERMANY						
FAZ Aktien (31/12/58)	667.28	658.56	636.96	618.54	718.78 (16/1/86)	382.89 (3/1/85)
Commerzbank (1/12/53)	1967.5	1921.4	1915.7	1865.5	2101.9 (15/1/86)	1111.8 (3/1/85)
HONG KONG						
Hang Seng Bank (31/7/64)	1695.77	1685.86	1695.30	1720.51	1826.84 (8/1/86)	1220.74 (2/1/85)
ITALY						
Banca Comm Ital. (1972)	565.01	571.11	567.35	562.94	571.11 (3/3/86)	228.58 (2/1/85)
JAPAN**						
Nikkei (16/5/49)	13704.3	13757.6	13640.85	13642.1	13784.3 (4/3/86)	11545.2 (5/1/85)
Tokyo SE New (4/1/68)	1099.24	1099.69	1090.70	1088.67	1099.69 (3/3/86)	913.95 (4/1/85)
NETHERLANDS						
ANP.CBS General (1970)	245.2	240.4	242.1	242.8	297.9 (9/1/86)	185.8 (3/1/85)
ANP.CBS Indust (1970)	258.0	254.0	255.1	255.1	266.3 (17/1/86)	147.9 (3/1/85)
NORWAY						
Oslo SE (4/1/83)	351.21	357.76	362.05	356.40	412.99 (12/11)	288.16 (2/1/85)
SINGAPORE						
Straits Times (30/12/66)	626.23	624.57	625.27	626.55	852.65 (7/3/85)	588.41 (25/1/85)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1206.8	1197.8	1196.2	1307.9 (27/1/86)	829.5 (5/6)
JSE Indust (28/9/78)	—	1149.5	1156.5	1153.2	1164.7 (26/2/86)	787.1 (7/5/85)
SPAIN						
Madrid SE (30/12/85)	157.27	135.84	129.52	124.29	157.27 (4/3/86)	100.0 (30/12/85)
SWEDEN						
Jacobson & P (31/12/56)	1887.22	1861.86	1858.63	1897.52	1907.25 (8/1/86)	1285.52 (9/7)
SWITZERLAND						
Swiss BankCpn (31/12/58)	564.4	557.8	554.7	556.4	625.5 (8/1/86)	388.7 (3/1/85)
WORLD						
M.S. Capital Intl. (1/1/70)	—	281.4	282.8	283.3	283.3 (28/2/86)	184.8 (4/1/85)

** Saturday March 1: Japan Nikkei 13,727.86. TSE 1,086.45.

Base value of all indices are 100 except JSE Gold—255.7. JSE Industrial—264.3. and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued from Page 45

[illegible]

LONDON

Chief price changes (In pence unless otherwise indicated)

RISES

Tr 11¾% 1991	£104¹¹⁄₁₆	+ ⅞
Ex 12% 13/17	£122⅜	+2⅛
Tr 2½% IL 20	£90½	+ ½
AMEC	246	+12
Amstrad	390	+26
Avon Rubber	305	+12
Berisford	213	+ 6
Bridon	141	+ 9
British Aero	558	+25
British Vita	257	+15
Cable & Wire	667	+30
Clarke (Clement)	197	+14
Courtaulds	245	+ 7
ICI	960	+36
McCorquodale	222	+12
Midland Bank	488	+10
NatWest Bank	733	+25
Park Knoll	295	+17
Peko Oil	38	+ 9
P. & O. Defd.	506	+18
Poseidon	136	+ 8
Provident Fin	400	+42
Tops Est	268	+48
Wellcome	181	+ 8
Woolworth	505	+18

FALLS

AMS Inds.	89	−15
Blagden	114	−15
GUS A	883	−28
Peters (M.)	145	−28
Powerline	115	−16

NEW YORK PRICES

Continued from Page 45

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Prices at 3pm, March 4

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	10 5/8	AAR s			19	235	20 7/8	20 5/8	20 3/4	-1/8
25 5/8	10 1/4	AGS			16	511	24	23 1/8	23 1/4	-5/8
14	9 5/8	AMCA				5	11 5/8	11 5/8	11 5/8	+1/8
53 1/2	37 1/2	AMR			9	3238	52	50 3/4	50 7/8	-1 1/8
25 5/8	18 5/8	AMR pf2.18		8.5		19	25 1/2	25 1/2	25 1/2	
25 5/8	23 1/4	ANR pf2.67		11.		45	24 3/4	24 1/2	24 5/8	-1/8
12 1/2	7 5/8	APL			7	4	11 3/4	11 5/8	11 3/4	-1/8
16 3/4	10 3/8	ARX			14	121	15 1/4	14 3/4	15 1/4	+1/2
55 5/8	32 3/4	ASA	2a	5.3		535	37 3/4	37	37 5/8	+1/2
25	10 1/2	AVX		1.9		651	17 3/8	16 7/8	17	-3/8
29 1/4	20 5/8	AZP	2.72	9.3	8	2884	u29 1/2	28 7/8	29 3/8	+3/8
72	46 3/8	AbtLab 1.40		1.8	19	2515	u73 3/8	72 1/2	72	-1 1/8
30 1/4	19 5/8	AccoWd .50		1.7	21	13	30 1/8	30	30	
24 3/4	10	AcmeC .40		3.3	18	116	12 1/4	12 1/2	12 1/4	+1/8
10	7	AcmeE .32b		3.8	17	30	9	9	9	
19 3/4	16 1/8	AdaEx 1.90e		10.		106	18 3/4	18 3/4	19 5/8	
26	14	AdmMl .40		1.8	11	10	25 1/2	25 1/2	25 1/2	-1/8
20 3/8	8 3/4	AdvSyst .36t		6.7	16	217	20 5/8	19 1/2	20 3/8	+5/8
34	22 1/8	AMD				1926	33 3/4	30 5/8	33 1/2	+1/4
12 5/8	9 5/8	Adobe n			121	9 5/8	d	9 1/4	8 1/4	-3/8
18 3/8	14 5/8	Adob pf1.84		11.		55	16 1/4	16 1/8	16 1/8	-1/4
16 1/2	15 1/4	Adob pf2.40		13.		3	19 3/8	19 3/8	19 3/8	-1/2
17	8 1/8	Advest .12a		.7	15	196	16 1/2	16 1/4	16 1/2	+1/8
81 7/8	39 1/8	AetnLf 2.64		4.2	16	3310	u62 1/4	61 7/8	62 3/8	+1/2
57 1/2	52 1/2	AetL pf5.19e		9.6		101	54	54	54	-1/8
66 1/4	27 1/4	Ahmns 1.20		1.8	8	2292	65 3/4	63	63 5/8	-5/8
4 3/4	2 1/2	Aileen			225	141	4 3/8	4 1/2	4 1/2	-1/8
80 3/4	46 7/8	AirPrd 1.48		1.8	16	402	79 3/4	78 1/2	78 7/8	-1/2
24	17 1/2	AirbFrt .60		2.6	16	79	22 7/8	22 5/8	22 3/4	
2 1/8	3/8	AlMoan .50c				301	1/2	15-32	1/2	
9 7/8	7	AlaP dpf.87		8.9		69	9 7/8	9 1/2	9 3/4	+1/8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 45

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NYSE COMPOSITE PRICES

Continued from Page 44

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
91½	4	WinterJ				11	8⅜	8¼	8⅜	
46⅞	30¾	WiscEP	2.48	5.2	11	821	u47¾	47½	47½	+⅝
100⅛	75¾	WisE pf	6.60	6.6		z1130	u101¼	101¼	101¼	+1¼
46	28⅛	WiscPL	2.64	6.2	11	51	46	45¾	46	+½
45½	29¾	WiscPS	2.08	6.4	10	48	44½	44	44½	+¾
51	33	Witco	1.48	3.0	13	119	50½	49⅝	50	−½
14	9¾	WolvrW	.24	2.0		368	11⅞	11⅝	11⅞	
71⅛	39¼	Wolwth	2	2.9	13	1414	68⅞	68½	68⅝	+⅛
100½	56	Wolw pf	2.20	2.3		1	97¼	97¼	97¼	−¼

Continued on Page 43

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, March 4

Stock	Div	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 43

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Bond appeal proves irresistible

THE LURE of 8 per cent yields in tbe federal bond market finally proved irresistible on Wall Street yesterday, drawing the stock market strongly upwards agaio, *writes Terry Byland in New York.*

The Dow 1,700 barrier was quickly breached once more as sbarp gains in General Motors and IBM led the market ahead.

At 3pm the Dow Jones industrial average was up 10.71 at 1,707.38.

The bond market continued to surge upwards, as bopes of an early cut io the federal discount rate were fed by an unexpectedly large dip in the Commerce Departmeot's index of leading economic indicators. New York contioued to expect Japan and West Germany to lead the way to lower rates.

Yields on long-dated boods jousted with the 8 per cent level as US companies continued to cut their posted prices for erude oil. But there was also a sharp fall io sbort-term rates, featured by a 10 basis point fall to 8.80 per cent on the three-month Treasury bill. Io the stock market, trading was beavy, and some dealers continued to look for a correction. However, the strength of boods sooo overwhelmed the stock market, where gains exceeded declines by two to one.

General Motor's plans to buy back nearly $2bn of its various types of issued stock brougbt gains in all three shares concerned. At $80 the basic GM common stock gained $2½ in heavy trade. The GM class H stock, issued in the purchase of Hughes Aircraft, bounded $4⅝ to $42⅞ as the motor group planned to buy in 21.5m H shares – GM bas promised that the H stock will be worth $60 by 1989. The GM E shares, of which 8.5m are to be bought in, jumped $1⅝ to $42⅝. But other motor stocks began to falter as the latest sales figures arrived from the industry.

Also boosting the Dow average was IBM, $1⅛ up at $152⅞, drawing Burroughs up $1⅛ to $67¾ and Digital Equipment $1⅞ higher to $186 in its wake.

Eastman Kodak, another Dow componeot, gained $⅞ to $56 in heavy trading after signing a deal with Adplates of the UK to make and sell previewing systems.

Steel stocks moved higher as US Steel, up $⅝ at $23⅞, increased its prices. Inland Steel jumped $1⅝ to $27½.

Once again, the NYSE actives list was headed by Western Air, up $⅜ at $11⅛ oo continued takeover speculation. Eastern Air Lines, at $8¾, gave up $⅜ as the market awaited a more definite move from Texas Air. Other airline stocks had a calmer session.

BankAmerica sagged $½ to $15⅞ in brisk turnover as the board lined up behind Mr Sam Armacost after Mr Sanford Weill's offer to replace him. The renewed plunge in sbort-term rates boosted other banks, notably Chase Manhattan, up $1¾ at $44⅞, and Citicorp, up $1¼ to $51¼. The Federal National Mortgage Association (Fannie Mae) firmed $1⅝ to $33¼, also responding to lower interest rates.

American Express – mooted as a bid target for General Motors, whicb bas denied such plans – jumped $1⅝ to $67¼

Despite the plunge in oil prices, the major oil stocks traded on the NYSE with only minor falls while secood lioe oil stocks belped to boost the American Stock Exchange. Also active on the Amex was Key Pharmaceuticals, up $⅜ at $15½, with more than 1m sbares changing hands on the proposed $612m acquisition by Schering-Plough. Wickes Companies, up $⅜ at $5⅛, had another active day as investors took an optimistic view of prospects for the newly shaped group.

In the credit markets the fall in short-term rates reversed the pattern of recent sessions and reflected strengtheoing hopes of a cut in the federal discount rate from its present level of 7.50 per ceot, more than 70 basis points above three-month treasury bills.

The firmness at the short eod rubbed off on to near-dated federal bonds. At the long end the 8 per ceot level remained unbroken at mid-session, but dealers reported further demand for US bonds from Japan

TOKYO

Persistent caution at peak levels

BUYING of speculative and blue-chip stocks drove the Nikkei stock average to a new peak for the third consecutive day in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The market indicator added 26.66 to 13,784.29. But volume contracted from 547m to 535m shares, reflecting growing coocern over high prices and prospects for tigbter restrictions on margin trading. Declines led advances by 449 to 407, with 118 issues unchanged.

Encouraged by falling interest rates and higber equity prices abroad, investors were optimistic. The Nikkei average has jumped 733 points in the past mooth, causing anxiety over the market outlook.

Some investors began to worry about stronger controls on margin transactions, as the Tokyo Stock Exchange announced yesterday that the margin debts had reached Y2,849.3bn on March 1, up Y271.4bn from six weeks ago.

The rise in electricity and gas utilities slackened. Tokyo Gas remained the most active stock with 24.13m shares changing hands. But it gained only Y1 to Y355 on profit-taking, while Tokyo Electric Power climbed Y20 to Y3,160. Other large capital stocks weakened, with Mitsubishi Heavy Industries sbedding Y4 to Y387.

Nichiro Gyogyo firmed Y13 to Y245, with the second biggest volume of 21.82m shares. Nitto Boseki, a textile firm with large off-the-book assets, climbed Y57 to Y542 oo investor interest in its urban development projects and came third oo the active list with 19.62m shares. Achilles surged Y23 to Y350 on heavy speculative buying.

Some blue-chip stocks firmed due to early foreign buying. Matsushita Electric Industrial moved up Y20 to Y1,210, Hitachi Y11 to Y734, TDK Y90 to Y3,850 and Asahi Optical Y25 to Y504. However, volume of these issues remained small, with Matsushita's turnover standing at only 2.78m shares.

Biotechnology-related pharmaceuticals, buoyant on Monday, eased. Kyowa Hakko slipped Y10 to Y1,100 due to profit-taking, and Mitsubishi Chemical Industries Y11 to Y560.

Dealers increased trading oo the bood market, encouraged by an overnight plunge in short and long-term US interest rates.

The yield on the barometer 8.8 per cent government bond due in December 1994 dropped from 5.295 per cent to an all-time low of 5.240 per ceot. However, profit-taking sales accelerated rapidly, highlighting coocern about the fast fall in yield.

A leading securities company sold Y200bn of June bood future cootracts.

CANADA

OILS were one of the few dull spots in a buoyant Torooto.

Massey-Ferguson added 20 cents to C$3.15 after revealing details of its restructuring plans which it claims will greatly improve its profitability.

Royal Bank of Canada added C$⅛ to C$28 in active trading after slightly higher first-quarter profits.

Golds derived streogth from the steady bullion price, and Lac Minerals jumped C$1⅞ to C$39.

Sharply higher industrials led the advance in Montreal.

SOUTH AFRICA

A LETHARGIC bullioo market turned Johannesburg gold sbares lower while news of a partial lifting of the state of emergency in South Africa had virtually no impact on sbare prices.

Vaal Reefs lost all of the gains of the previous session with its R4 fall to R225, and Lorraine dipped 60 cents to R13.

Mining financial, platinum and diamond stocks also eased as Anglo American Corp shed 75 cents to R41.75, Impala 50 cents to R27 and De Beers 55 cents to R18.95.

A mixed industrial sector took Barlow Rand 20 cents down to R15.30.

EUROPE

Rate hopes rekindle buying spree

THE EXPECTED move to lower interest rates rekindled fires in Europe yesterday.

Frankfurt respooded eothusiastically to these bopes and ended sharply higher after a busy session. The Commerzbank index shot up 46.1 points to 1,967.5.

There is a growiog feeling among economists in West Germany that the Bundesbank will cut the discount rate tomorrow by ahout half a perceotage point. Some believe that West Germany is under pressure from the US to move first as this would theo allow the Federal Reserve Board to cut its discount rate without causing a dramatic fall in the dollar.

Banks reacted strongly, snapped up by foreign buyers. Deutsche soared DM 50.50 to DM 799, Bayerische Vereinsbank DM 32.50 to DM 536.50, Dresdner DM 22 to DM 397.50 ex-rigbts and Commerzbank DM 11.50 to DM 303.

Motor issues gained from bopes that the rate cut would support the dollar and thus aid the earnings of big exporters. Daimler-Benz, which firmed DM 11 in the previoussession, put on another DM 47 to DM 1,242, Porsche jumped DM 30 to DM 1,250, BMW added DM 13 to DM 510 and VW was DM 10.20 higber at DM 529.50.

Chemicals cootinued to beoefit from lower oil prices. Hoechst was DM 14.50 higher at DM 324, and Bayer added DM 12.80 to DM 331.80.

Siemens, whicb denied it was considering a counter offer for White Consolidated, the US domestic appliance manufacturer which Electrolux bid for on Mooday, gaioed DM 22 to DM 728.

Bonds were firmer after the higher close in US credit markets. Sborts gained around 40 basis points while longs added about 25.

The Bundesbank sold DM 52m worth of paper

Trading in **Amsterdam** was hectic, pushing turnover to a record Fl 2.23bn against the previous higb of Fl 1.88bn on January 8.

Bankers expect the Dutch ceotral bank to follow any rate moves made by West Germany.

On news of an increased dividend – despite uncbanged earnings – Unilever shot up Fl 13 before settling back to end Fl 4.80 up at Fl 352.50.

Turnover in the bond market was also at a record as issues registered sharp gains.

Brussels climbed to another second peak as chemicals and holding companies continued their strong performance.

Société Géoérale de Belgique rose BFr 80 to BFr 2,560, Gevaert BFr 250 to BFr 6,800, UCB BFr 210 to BFr 8,930 and Solvay, the largest chemical group, BFr 40 to BFr 8,070.

Stockholm rallied after the previous day's sombre mood.

Electrolux was actively sought after its bid for the US appliance maker and gained SKr 9 to SKr 255.

Fermeota remained suspeoded although the company expects to trade again tomorrow, and Pharmacia firmed SKr 5 to SKr 212 after announcing an increase in group profits for 1985.

After five consecutive losses, **Paris** resumed its upward trend, infected by the more buoyant mood fostered by rate bopes.

L'Oréal jumped FFr 167 to FFr 3,017 – a gain of around 5.7 per cent – while Thomsoo CSF rose FFr 72 to FFr 918 and Matra FFr 111 to FFr 1,781.

Optimism continued to fuel the spectacular rally in **Madrid,** and the bourse index was pushed to a new peak of 137.27, 2.23 poiots higber.

Forecasts of strong results kept **Zurich** higher. Swiss Bank firmed SFr 11 to SFr 546 ahead of today's profits figures while Brown Boveri bearer fell against the trend – SFr 70 off at SFr 1,895 – on the decision not to pay a dividend.

Profit-taking pusbed **Milan** lower after a recent string of highs. Some industrials and insurers were hit.

Fiat lost L245 to L9,635, bringing it off a year-higb recorded in the previous session

SINGAPORE

LARGE block trading in United Overseas Land dominated an otherwise listless Singapore as the Straits Times industrial index firmed 1.66 to 628.23.

Total session volume amounted to 20.2m sbares, with 12.75m UOL shares changing bands after the 7.25m traded on Monday.

United Industrial Corporation bas been indentified as the buyer of the 20m UOL sbares – 11.9 per ceot of the company's capital – primarily on the attraction of the property company's 25.9 per cent stake in United Overseas Bank. The blocks changed hands at 90 cents.

LONDON

INSTITUTIONAL buyers re-opened for business in London yesterday after a respite of two sessions. Leading indices overcame an opening softness only to race ahead to near peak levels. The FT Ordioary closed 14.8 higher at 1,281.3 (compared with its February record of 1,281.5) while the FT-SE 100 surged 14 points up to 1,548.9.

Government securities refused to be upstaged, and longer-dated issues added two full points. The strength of world bond markets was partly responsible, but the main boost was a change in the directioo of the excbange rate. Sterling bounded higher against the dollar and scored an impressive recovery against leadiog European currencies. Expectations that the Bundesbank would cut its rates also galvanised sentimeot.

Among the most active equities were NatWest, 25p higber at 733p, ICI, 38p up at 980p, Fisons, 8p stronger at 528p, and oewcomer Wellcome, 8p ahead at 181p.

Chief prices changes, Page 43; Details, Page 42; Share information service, Pages 40–41

HONG KONG

CONCERTED efforts by bargain hunters drove Hong Kong higher and pushed the Hang Seng index 10.71 up to 1,695.77.

Further caution amoog European fund managers produced the bargains, with domestic investors and some local institutions providing much of the buying impetus.

Properties returned to the foreground again, with Hongkoog Land picking up 5 cents to HK$6.30 ahead of tomorrow's results and Hoogkoog & Kowlooo Wharf 10 ceots stronger at HK$6.80.

Utilities were slightly mixed. China Light was 10 cents up at HK$15.80, but Hongkong Electric was unchanged at HK$8.85.

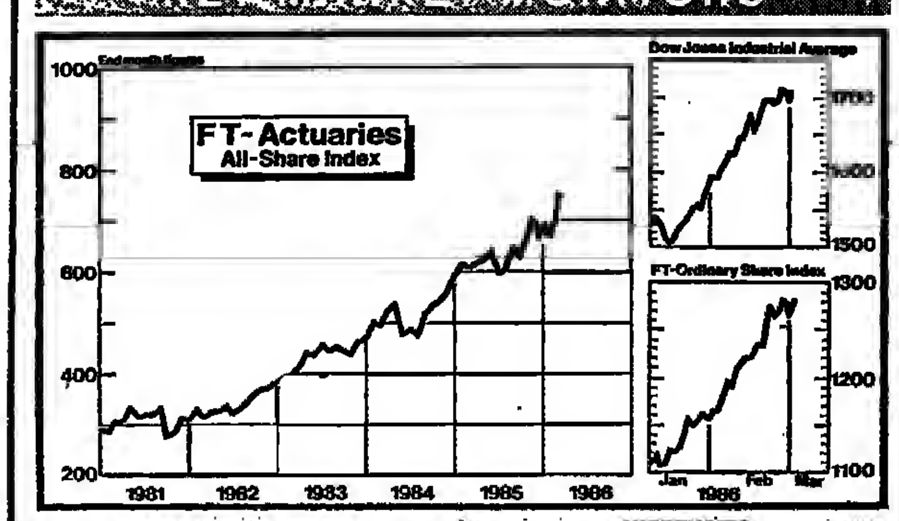
AUSTRALIA

MORE favourable domestic ecooomic oews encouraged Sydney higher with a 5.0 point advance in the All-Ordinaries Index to 1,058.3. Gains by BHP and other industrials underpinned the advance.

BHP opened strongly but finisbed only 10 ceots bigber at A$6.60 as the prospects of government intervention in the Bell Resources bid for the group receded. Bell added 15 cents to A$4.55 while the parent Bell Group rose 18 cents to A$6.34.

Among mixed mines CRA shed 8 cents to A$5.82 amid results, and North Broken Hill dipped 2 cents to A$2.28.

KEY MARKET MONITORS



STOCK MARKET INDICES

	March 4	Previous	Year ago
NEW YORK			
DJ Industrials	1,707.38*	1,696.67	1,289.53
DJ Transport	794.90*	789.62	630.2
DJ Utilities	185.11*	184.29	148.03
S&P Composite	227.14*	225.42	182.06
LONDON			
FT Ord	1,281.3	1,266.5	982.0
FT-SE 100	1,548.9	1,545.2	1,265.7
FT-A All-share	752.48	747.39	614.79
FT-A 500	827.82	822.51	672.02
FT Gold mines	337.5	342.7	476.2
FT-A Long gilt	9.77	9.98	10.82
TOKYO			
Nikkei	13,784.29	13,757.63	12,509.0
Tokyo SE	1,099.24	1,099.6	990.39
AUSTRALIA			
All Ord.	1,058.3	1,053.3	796.1
Metals & Mins.	510.6	513.0	480.9
AUSTRIA			
Credit Aktien	110.70	111.39	73.39
BELGIUM			
Belgian SE	3,306.57	3,269.32	2,270.12
CANADA			
Toronto			
Metals & Minls	2,266.8*	2,241.3	2,105.0
Composite	2,885.1*	2,866.5	2,628.5
Montreal			
Portfolio	1,470.65*	1,457.09	131.71
DENMARK			
SE	n/a	234.31	177.36
FRANCE			
CAC Gen	n/a	303.0	204.6
Ind. Tendance	114.9	113.3	110.5
WEST GERMANY			
FAZ-Aktien	657.26	636.56	416.4
Commerzbank	1,967.5	1,921.4	1,207.3
HONG KONG			
Hang Seng	1,695.77	1,685.06	1,399.46
ITALY			
Banca Comm.	565.01	571.11	279.72
NETHERLANDS			
ANP-CBS Gen	245.2	240.4	204.2
ANP-CBS Ind	238.0	234.0	161.4
NORWAY			
Oslo SE	351.21	357.76	321.66
SINGAPORE			
Straits Times	626.23	624.57	850.35
SOUTH AFRICA			
JSE Golds	–	1,203.3	916.9
JSE Industrials	–	1,148.5	847.8
SPAIN			
Madrid SE	137.27	135.04	113.3
SWEDEN			
J & P	1,887.22	1,851.68	1,445.34
SWITZERLAND			
Swiss Bank Ind	564.4	557.8	423.1
WORLD	Mar 3	Prev	Year ago
MS Capital Int'l	281.4	282.6	197.8

COMMODITIES

(London)	March 4	Prev
Silver (spot fixing)	384.45p	393.20p
Copper (cash)	£970.00	£982.50
Coffee (Mar)	£2,522.50	£2,450.00
Oil (spot Arabian Light)	n/a	n/a

GOLD (per ounce)

	March 4	Prev
London	$337.25	$336.00
Zürich	$337.25	$336.50
Paris (fixing)	$343.55	$342.17
Luxembourg	$337.30	$340.00
New York (April)	$346.00	$340.50

CURRENCIES

(London)	US DOLLAR March 4	US DOLLAR Previous	STERLING March 4	STERLING Previous
$	–	–	1.4635	1.442
DM	2.199	2.2195	3.2175	3.2
Yen	178.95	179.55	262.0	259.0
FFr	6.7675	6.8325	9.905	9.8525
SFr	1.871	1.8775	2.7375	2.7075
Guilder	2.485	2.509	3.635	3.6175
Lira	1,497.5	1,510.0	2,191.5	2,177.5
BFr	45.15	45.5	66.1	65.8
C$	1.4235	1.424	2.08	2.052

INTEREST RATES

	March 4	Prev
Euro-currencies (3-month offered rate)		
£	12¼	12⅞
SFr	3⅝	3⅝
DM	4⅝	4½
FFr	15	14⅞
FT London Interbank fixing (offered rate)		
3-month US$	7⅝	7⅞
6-month US$	7⅝	7⅞
US Fed Funds	7⅝*	7⅝
US3-month CDs	7.30*	7.45
US3-month T-bills	6.82*	6.955

US BONDS

Treasury		March 4* Price	March 4* Yield	Prev Price	Prev Yield
8	1988	101⁷⁄₃₂	7.328	100²⁹⁄₃₂	7.534
8¾	1993	105⅝	7.757	104⅛	7.903
8⅞	1996	107	7.848	106⅝	7.96
9¼	2016	113⁹⁄₃₂	8.029	112⅛	8.163

Treasury Index				
Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	147.10	+0.9	7.79	–0.13
1–10	140.24	+0.56	7.64	–0.13
1– 3	132.33	+0.31	7.45	–0.10
3– 5	142.37	+0.54	7.70	–0.11
15–30	171.59	+2.04	8.30	–0.12

Source: Merrill Lynch

Corporate	March 3* Price	March 3* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101⅝	10.00	101⅝	10.00
3⅞ July 1990	88	7.25	88	7.25
8¾ May 2000	96⅝	9.24	96⅜	9.24
Xerox				
10⅞ Mar 1993	108	8.80	108	8.80
Diamond Shamrock				
10⅞ May 1993	104⅞	9.80	104⅞	9.80
Federated Dept Stores				
10⅞ May 2013	108⅝	9.70	108⅝	9.70
Abbot Lab				
11.80 Feb 2013	112⅞	10.40	112⅞	10.40
Alcoa				
12⅛ Dec 2012	114	10.65	114	10.65

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	97-04	97-22	97-02	96-02
US Treasury Bills (IMM) $1m points of 100%				
Mar	93.22	93.26	93.16	93.14
Certificates of Deposit (IMM) $1m points of 100%				
Mar	92.72	92.78	92.65	92.59
LONDON				
Three-month Eurodollar $1m points of 100%				
Mar	92.41	92.41	92.30	92.27
20-year Notional Gilt £50,000 32nds of 100%				
Mar	116-12	117-00	115-28	114-27

* *Latest available figures*